SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

2000 Fall Report
Volume 3

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

Telephone: (306) 787-6398
Fax: (306) 787-6383

E-mail: info@auditor.sk.ca
Website: http://www.auditor.sk.ca/

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Vision

We envision effective, open and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly.
We are committed to fostering excellence in public sector management and accountability.

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SASKATCHEWAN

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

Phone: (306) 787-6366
Fax: (306) 787-6383
Internet e-mail: fwendel@auditor.sk.ca

December 5, 2000

The Honourable Ronald Osika
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2000 Fall Report - Volume 3*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Acting Provincial Auditor

/dd

Foreword

I am pleased to present my *2000 Fall Report – Volume 3* to the Legislative Assembly. This Report includes the results of our work at government organizations with years ended March 31, 2000.

I wish to thank all the staff and officials of the government organizations audited by my Office for their co-operation and assistance. Also, I wish to thank the staff of my Office for their constant pursuit of excellence in public sector management and reporting practices.

Regina, Saskatchewan
December 5, 2000

Fred Wendel, CMA, CA
Acting Provincial Auditor

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Introduction

In this 2000 Fall Report – Volume 3, we set out the conclusions, findings and recommendations of our Office pertaining primarily to the audits of government organizations with March 31 year-ends. These organizations include government departments, health and education institutions and many boards and commissions.

In October 2000, we issued Volume 1 of our Fall Report. That Report discussed the financial condition of the Government. We concluded the Government's financial condition was improving but remained fragile because the Government's need for revenue to pay for services and its accumulated deficit is large compared to the size of Saskatchewan's economy. The Government's financial condition continues to improve because the economy of Saskatchewan has grown and, for the past six years, the Government has spent less than it has raised in revenue.

In November 2000, we issued Volume 2 of our Fall Report. The Report focused on the financial management practices of Saskatchewan Liquor and Gaming Authority (Liquor and Gaming) and Saskatchewan Indian Gaming Authority (SIGA) for the year ended March 31, 2000. We issued a separate report to ensure our recommendations were timely; two of the agreements with the Federation of Saskatchewan Indian Nations and SIGA end soon. We concluded that SIGA's board of directors failed to exercise good stewardship of public money. SIGA's board had a duty to ensure SIGA spent public money with due care and operated with a corporate culture of transparency. The board's failure resulted in improper and questionable use of public money. We also concluded that Liquor and Gaming could have prevented some of the improper and questionable use of public money. Liquor and Gaming needed to improve its oversight of SIGA's expenses. Liquor and Gaming should have ensured SIGA had proper expense policies and should have done more follow-up of SIGA's actual expenses.

Comprehensive government accountability project

This Report continues our focus on improving the Government's accountability to the public. In our 2000 Spring Report, we discussed the "comprehensive government accountability project" (Accountability Project) that the Government announced in the December 6, 1999

Speech from the Throne. In that Report, we stated our encouragement for the Accountability Project and described our plans to work with the Government.

Since then, the Government continued its efforts to improve its management and accountability for results. Establishing a sound public accountability system will take several years. We continue to encourage these efforts.

In Chapter 1, we discuss how the Government might continue with its efforts to improve its accountability to the public. Part A discusses challenges to establishing a proper public accountability system. The challenges relate to the government environment, current legislation, managing for results and organizational capability. The Government's Accountability Project would benefit from legislative support. We make two recommendations related to legislation that would support the Accountability Project.

Managing for results requires the preparation of sound plans. Part B sets out the key elements of sound public plans. Sound plans set out responsibilities and authorities, overall direction and risk, strategies to achieve direction, resources needed, and performance targets.

The success of the Accountability Project depends upon the Government improving its organizational capability. In Part C, we set out best practices for the Department of Finance to build the Government's capability to produce reliable reports on performance. These best practices relate to sustaining commitment, promoting a learning culture, establishing proper processes and information systems for reporting, and establishing processes to produce credible performance reports.

The accountability of Government departments for financial performance would improve if they prepared and made public annual financial statements showing their entire operations. Part D provides an example of financial statements showing the entire agriculture sector of the Government.

Risk management

This Report also continues our focus on how government organizations manage their key risks. Well-managed organizations set out clear measurable objectives, identify the risks to achieving those objectives, and act to reduce the risks to an acceptable level.

We have examined how the Government manages several of its key risks. Many of our findings in this Report relate to the risks organizations face when boards of directors do not adequately set direction nor monitor the actions of senior management, when organizations do not adequately carry out their oversight responsibilities for organizations accountable to them, and when organizations do not provide the public with appropriate performance information.

In Chapter 2, **Health**, we report on the need for boards of directors of district health boards to set clear direction and to improve the information they receive to monitor the actions of senior management. The directors also need to approve the systems and practices that management has established to manage key risks. When directors do not fulfill their duties, they increase the risk of poor or improper use of public money.

We report that the Department of Health needs to improve its oversight practices by approving the annual budgets of district health boards before their fiscal year begins. The Department also needs to improve how it manages the key risks related to capital construction projects managed by district health boards. When organizations do not properly carry out their oversight responsibilities, poor or improper use of public money may occur without timely detection.

The Department needs to ensure legislators are aware of the financial condition of the health system. This Chapter contains examples of financial measures to help assess the financial condition of the health system. We think the Department should include this type of information in its annual report.

A key risk faced by the Department is that of ensuring district health boards assess their health needs and allocate their resources to services and activities that contribute the most to priority health needs. This Report includes our follow-up work at district health boards arising from our 1996 and 1997 reports about how they assess their health needs and allocate their resources. In 1996 and 1997, we made several recommendations to improve district health boards' resource allocation processes. We state most districts have improved their resource allocation processes. However, our 1997 recommendations are still relevant and we will continue to follow-up district resource allocation processes.

In Chapter 3, **Education**, we set out the key risks for the Department. We describe the audit criteria we are using to assess whether the Department has adequate processes to maintain the relevance of the K to 12-core curriculum. The Department needs to ensure that the curriculum reflects the knowledge and skills people need.

We also provide a progress report on our 1999 report on the Department's role in ensuring vulnerable students regularly attend school. The Department needs to ensure it addresses the diverse needs of children at risk of doing poorly at school.

We continue to recommend that the Department require school boards to prepare their financial statements following the accounting recommendations of The Canadian Institute of Chartered Accountants for the public sector. The Department needs proper financial information to help it assess school board financial performance.

In Chapter 4, **An overview of infrastructure risks**, we set out risks the Government faces related to infrastructure. We estimate the Government's infrastructure is worth more than $14 billion. To ensure the Government can provide public services, the Government spends significant amounts of money on infrastructure. It must not only spend money to buy infrastructure; it must also maintain and replace infrastructure as needed.

We group the Government's risks into five broad areas. These risks are:

- Long-term planning for infrastructure needs,
- Setting clear responsibility,
- Maintaining the capacity of the infrastructure to deliver acceptable service,
- Maintaining good information, and
- Keeping the public informed.

- This Report also contains findings related specifically to infrastructure for the Health sector in Chapter 1 Part B.

In the future, we plan to focus more of our work on how the Government is managing the risks related to infrastructure on a government-wide basis, in sectors of government, and within individual government organizations. This work will include the Government's project management practices.

Other progress and concerns

In this section, we highlight the progress government organizations have made in improving their performance. We also note where more work is required.

In Chapter 2, we note the Department of **Health** issued its first report on performance measures called *Health Services and Outcome Indicators by Population Group: Mothers and Infants*. We think publishing this Report will help the Government, health districts and the public monitor the performance of the health system related to infants and mothers. We are also encouraged by the Department's agreement to work towards reporting on the overall performance of Saskatchewan's health system.

The Department of **Post-Secondary Education and Skills Training** has made public a clear accountability framework that it will use to develop accountability relationships between the Department and key public sector institutions. These accountability relationships are important to enable the Department and its partners to understand their responsibilities, authority and expectations for performance. In Chapter 5, we state the Department needs to finish its plan for the entire post-secondary and skills training sector and report actual results against the plan. We also note the Department continues to improve its verification of critical information on student loan applications to ensure that eligible students receive the correct amount of aid.

In Chapter 8, we report we have not examined the **First Nations Fund** since it began operations in 1997. The Trustees of the Fund have not co-operated with us to allow us to discharge our duties to the Legislative Assembly.

On November 13, 2000, the Minister responsible for the Fund wrote a letter to the Trustees and again asked the Trustees to co-operate with us. On December 1, 2000, the Chief of the Federation of Saskatchewan Indian Nations told us the Trustees will now co-operate with us. We plan to begin our work on the accounts of the Fund early in the new year.

In Chapter 12, **Agriculture and Food**, we discuss the need for the Board of Directors of Sask Pork to develop proper governance policies to ensure public money is properly safeguarded and controlled. The Department of Agriculture and Food also needs to exercise good oversight control and ensure the Board of Directors develops proper governance policies.

In Chapter 14, **Executive Council**, we commend the Government for making changes to *The Tabling of Documents Act, 1991*. The changes permit the Government to make annual reports including financial statements public when the Legislative Assembly is not sitting. The changes also require the Government to make annual reports public earlier than in the past. These changes improve the Government's public accountability. Timely information is essential for proper accountability.

Since 1992, we have audited the **Crown Investments Corporation of Saskatchewan** (CIC) directly. In October 2000, Cabinet appointed another auditor to audit the accounts of the CIC directly, starting with the year ending December 31, 2000. CIC supervises about 40% of the entire Government's financial activities. CIC manages many significant investments for the Government, such as the investment in New Grade Energy Inc. and HARO Financial Corporation. Our experience with the Financial Management Review Commission in 1992 tells us the Assembly's greatest risk to holding the Government accountable for CIC's performance relates to CIC's investment activity.

We have said for many years that when there is another auditor involved with the audit of a government organization, the Assembly's risk to receiving relevant and reliable information from our Office increases. We try to manage this risk. We use the protocols recommended by *Report of the Task Force on the Roles, Responsibilities and Duties of Auditors* and do some direct audit procedures to ensure we can rely on appointed auditors' reports. Because CIC's investments are so significant, we will do some direct audit procedures on its investments for the year ending December 31, 2000 to reduce the Assembly's risks.

In our 2000 Spring Report, we set out how rate regulation may affect the accountability of the Government to the Legislative Assembly. We continue to watch closely for any accounting developments caused by the new **Saskatchewan Rate Review Panel**. To date, there have not been any significant changes to the accounting of the Crown corporations affected by the Panel.

We also continue our work in this area by participating with The Canadian Institute of Chartered Accountants in the development of a research report about accounting for rate-regulated enterprises. We want to ensure the accounting practices recommended in the report result in rigorous accounting measures that ensure costs are recorded in the correct period.

Changes to *The Provincial Auditor Act*

In February 2000, we issued a special report to the Legislative Assembly regarding changes to *The Provincial Auditor Act*. In our 2000 Spring Report, we advised that we would keep the Assembly informed about changes to the Act. We want to ensure that any changes to the Act will maintain the Office's independence and its ability to help the Legislative Assembly hold the Executive Government accountable for its performance.

The Standing Committee on Public Accounts (PAC) met on November 21, 22, and 23, 2000 and discussed our February 2000 Special Report to the Legislative Assembly regarding changes to the Act and a report prepared by a committee appointed by the Minister of Finance. The Minister's Committee was appointed to provide advice to the Minister on changes to the Act. PAC accepted some of our recommendations. PAC also accepted some of the recommendations of the Minister's committee. In addition, PAC made recommendations of its own.

Some of the recommendations enhance the perceived independence of the Provincial Auditor. Some strengthen PAC's ability to fulfill its mandate. Other recommendations do not support good financial management practices. Depending on the wording in the final legislation, some of the recommendations could weaken the independence of the Provincial Auditor and threaten the effectiveness of the Provincial Auditor in helping the Assembly hold the Executive Government accountable.

Observations

PAC will make a report to the Legislative Assembly setting out its recommendations for changes to the Act. The discussion of the recommendations can be reviewed at http://www.legassembly.sk.ca./committees/verblist.htm.

We will carefully consider PAC's recommendations and prepare draft legislation for the Minister of Finance's consideration. Under our parliamentary system of government, the Minister of Finance must introduce any changes to the Act.

We will make a special report to the Legislative Assembly when the Minister introduces changes to *The Provincial Auditor Act* to ensure the Assembly has our views when it debates the changes to the Act.

Our 2000 Reports

In 2000, our Office has issued the following reports to the Assembly:

- *Business and Financial Plan for the Year Ended March 31, 2001: As Presented to the Board of Internal Economy*;
- *Special Report by the Provincial Auditor to the Legislative Assembly of Saskatchewan regarding Changes to The Provincial Auditor Act: February 2000*;
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan on the 1999 Financial Statements of CIC Subsidiary Crown Corporations: April 2000*;
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the calendar year 1999*;
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2000 Spring Report*;
- *Annual Report on Operations for the Year Ended March 31, 2000*;

- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: Understanding the Finances of the Government: 2000 Fall Report – Volume 1*;
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: Saskatchewan Liquor and Gaming Authority and Saskatchewan Indian Gaming Authority: 2000 Fall Report – Volume 2*; and
- *Business and Financial Plan For the Year Ended March 31, 2002: As Presented to the Board of Internal Economy.*

If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our website at:
http://www.auditor.sk.ca/

- contact our Office by Internet e-mail at:
info@auditor.sk.ca

- or, write, phone or fax us at:
Provincial Auditor Saskatchewan
1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7
Phone: (306) 787-6398
Fax: (306) 787-6383

My colleagues at the Office of the Provincial Auditor of Saskatchewan are:

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
Baronowsky, Tricia
Beblow, Jolene
Borys, Angèle
Burrows, Jamie
Clemett, Tara
Creaser, Phil
Daviduik, Krista
Deis, Kelly
Dickin, Deann
Duran, Jason
Duran, Joel
Ferguson, Judy
Forgie, Leanne
Fysh, Cindy
Grabarczyk, Rod
Harasymchuk, Bill
Harrison, Garnet
Heffernan, Mike
Hungle, Angie
Jersak, Rodd
Kenny, Wade
Knox, Jane
Kodas, John
Kress, Jeff
Kuntz, Linda
Lahti, Jay
Lahti, Kami
Lees, Trina
Lowe, Kim
Markewich, Dale
Martens, Andrew
Matchett, Joanne
Montgomery, Ed
Nyhus, Glen
Oldershaw, Mark
Orrange, Loyd
Paul, Charlene
Paul, Kent
Pradhan, Karim
Rybchuk, Corrine
Schiller, Rita
Schwab, Amy
Schwab, Victor
Shorten, Karen
Smith, Curtis
Sommerfeld, Regan
Strecker, Rena
Szaroz, Jennifer
Tomlin, Heather
Volk, Rosemarie
Walker, Sandra
Watkins, Dawn
Wendel, Fred
Wendel, Leslie

Improving accountability for results

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Introduction

In this Chapter, we continue our work to encourage the Government's efforts in moving to a public accountability system focussed on results.

The Government is striving to improve its management and accountability for results. When governments manage for results, they focus on the impacts of their activities. For example, a government managing the results of health care will focus on the impact of its programs and services on people's health. This style of management and accountability differs from the more usual focus on activities such as how many surgeries are performed or how many beds are in use.

Our Office supports the Government's efforts. For several years, we have encouraged the Government to improve its management and accountability practices through our work and public reports. For a list of these reports, see Exhibit 1 on page 4.

In Chapter 1 of our 2000 Spring Report, we described the key elements of a sound public accountability system. A sound public accountability system includes:

- Agreed-upon plans,
- Reliable reports on performance, and
- Reasonable reviews of performance.

We recognized the importance of such a system and that the adoption of such a system would take several years.

In this Chapter, we further explore four aspects of the system and the Government's movement towards a sound public accountability system.

In Part A, we identify and describe four challenges the Government will need to manage well to successfully implement its new public accountability system.

In Part B, we focus on the first key element of such a system – public plans. This Part sets out the key elements of good public plans.

In Part C, we focus on reporting on performance. We set out best practices that would assist the Government to build its capacity to report its performance to the public.

In Part D, we encourage the Government to report its financial results for key sectors of government (e.g., health, education, and agriculture).

In future reports, we plan to continue to discuss how the Government can improve its management and accountability for results. These reports will describe our views on the:

- key elements of processes to plan;
- principles of reliable reports on performance; and
- processes to help the Assembly to perform reasonable reviews on the Government's performance reports.

We have prepared this Chapter to encourage and support the Government's long-term project to improve its accountability. As well, we want to help the Legislative Assembly and the public to understand and support this important initiative.

Exhibit 1 – Reports we have published to foster improved accountability for results

This exhibit relates to recent work and reports of our Office to improve accountability for results across the Government. This appendix does not cover our work and reports on individual departments and agencies.

Chapter title	Report
Understanding the finances of the Government	2000 Fall Report – Volume 1
Towards a better public accountability system	2000 Spring Report (Chapter 1)
Key attributes of performance indicators	1999 Fall Report – Volume 2 (Chapter 4)
Gathering information for public reports: best practices for intersectoral initiatives	1999 Spring Report (Chapter 6)
Annual reports of departments and Crown agencies	1998 Spring Report (Chapter 17)
Control helps achieve results	1998 Fall Report – Volume 2 (Chapter 1)
Selecting performance indicators	1998 Fall Report – Volume 2 (Chapter 5 – Part C)
Leadership in reporting: commitment to track and report on indicators	1998 Fall Report – Volume 2 (Chapter 3)
Government plans and performance reports	1997 Fall Report – Volume 1

Challenges to moving to accountability for results

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Executive summary

The Government has undertaken a long-term initiative to improve its management and accountability for results. We support the Government in this important initiative.

Governments face unique challenges in improving their accountability for results. These challenges relate to the environment in which governments operate, current legislation, organizational capability and the need to manage for results.

To achieve results, the Government needs to focus on the needs of citizens. The Government cannot rely on competition to achieve this focus. As well, the Government is often constrained by detailed rules and controls which tend to focus employees on activities instead of intended results. Demands for new public programs and spending challenge the Government's ability to stay with its direction and priorities.

The Government's accountability initiative would benefit from legislative support. New legislation could help to establish and maintain a sound public accountability system focused on results. Also, changes to current legislation are needed to give government agencies the necessary authority to achieve their intended results and to be held accountable for their performance.

Moving towards accountability for results requires the Government to build its capability to achieve better results. The Government will need strong leadership and commitment, a suitable corporate culture, adequate rewards and incentives, the right human resources, good information systems, credible public reporting, and adequate performance reviews by legislators.

To achieve results, the Government needs to rethink how it manages. Managing for results requires the Government to set clear direction (objectives and targets) and to create an environment that supports and rewards actions that contribute to intended results.

We hope this Chapter will help the Legislative Assembly and the public to understand and support this important initiative.

Glossary

Accountability – the ability to demonstrate responsible action and report performance in light of agreed expectations.

Authority – the power to make decisions and to act within defined limits.

Control – those elements of an entity (including its resources, systems, processes, culture, structure, and tasks) that, taken together, support people in the achievement of the entity's objectives.

Goal – general statements of desired ends to be achieved over an unspecified period of time.

Objective – measurable, time-defined ends or results to be achieved that lead to the achievement of each goal.

Outcome – consequence or end result of activities.

Performance measure – measurable factor used to assess progress toward an identified objective or pre-determined outcome.

Performance target -- quantifiable estimate of results that are expected over a specific time period.

Responsible – answerable legally or morally for the discharge of a duty, trust, or obligation.

Risk – the possibility that an entity will experience adverse consequences from events or circumstances.

Sectors of government – groups of government entities working together to achieve common goals such as health, education, economic development, early childhood development and poverty reduction.

Stakeholders – individuals or entities with an interest in, or who are affected by, the entity's decisions.

Introduction

In this Chapter, we continue our work to encourage the Government's efforts in moving to a better public accountability system focussed on results. In Chapter 1 of our 2000 Spring Report, we describe the key elements of such a system (see Exhibit 1).

Exhibit 1: Key elements of a sound public accountability system

A sound public accountability system includes:

- Agreed upon plans (that are clear as to responsibilities, authorities, performance expectations, and resources needed);
- Reliable reports on performance; and
- Reasonable reviews of performance.

Chapter 1 of our 2000 Spring Report describes these key elements in more detail.

The Government has recently committed to improving its management and accountability for results. When governments manage for results, they focus on the impacts and effects of their activities. For example, a government managing the results of health care will focus on the impact of its programs and services on people's health. This management style differs from the more usual focus on activities such as how many surgeries are performed or how many beds are in use. This will be a major change for the Government. Change is always difficult, and we commend the Government for its initiative.

To be successful, the Government's accountability initiative requires changes to laws, strong leadership and commitment, additional resources, change in corporate culture, more staff training, and new information systems. To make the transition to a new accountability system successfully, the Government will need the support of legislators, government managers and employees, and the public.

In this Chapter, we discuss the challenges the Government will need to manage well over the next several years to implement a sound public accountability system focused on results. We hope this Chapter will improve understanding of and support for this important long-term Government project.

Challenges to moving to accountability for results

Moving to accountability for results is a long-term complex project. Governments, as organizations with a unique role, face unique challenges in focusing on results. We think the key challenges relate to the environments governments operate in, managing for results, current legislation, and organizational capability.

Government environment

To be successful, governments must meet the needs of their citizens. Because of their unique nature, government agencies face at least two challenges in focusing their efforts on the needs of citizens. First, unlike businesses, government agencies face little competition for their services. Second, those they serve often do not pay directly for the services they receive (i.e., government agencies' revenues usually come from taxes). As we discuss later, managing for results can help governments to improve their ability to meet the needs of citizens.

Governments' actions are constrained by many rules and controls designed to ensure they safeguard public resources and use them only for intended purposes. In addition, citizens demand access to public services that are delivered with equity, prudence (i.e., careful, tactful behaviour) and probity (i.e., strict honesty). These constraints can have the effect of hampering governments' ability to achieve intended results. We describe later how governments can produce better results in this environment.

Citizens and interest groups continually make demands (often conflicting) of governments for public programs and spending. Governments pay attention to these demands because they want to meet the needs of citizens and because they need public support if they are to continue governing. Managing for results (e.g., setting priorities, objectives, and targets) puts governments in a better position to assess the merits of citizens' demands and to make difficult choices. As well, when governments establish new programs, or decide to continue established programs, they should strive to be transparent. Exhibit 2 shows how this transparency can be improved.

Exhibit 2: Accountability statements accompanying proposals for new public spending

The greatest failure in public answering has been the lack of exposure to public challenge of the specific outcomes intended for new policies and programs, and the reasoning for the outcomes. Central to the disclosure of the reasoning is the explanation of who would benefit and who would bear the costs and risks.

Each significant proposal should set out for legislators' and citizens' scrutiny:
- Who would benefit and why,
- How they would benefit,
- What their immediate benefits would be,
- What their future benefits would be,
- Who would bear the costs and risks, and why
- What their costs and risks would be immediately, and in the future, and
- Who would be accountable to whom, and for what.

Source: McCandless, H.E. (1997, Autumn). Equity statements: A new approach to public accountability. *Canadian Parliamentary Review.*

Managing for results

Governments will need to rethink how they manage their agencies and staff as they focus more on achieving intended results.

To achieve results, government agencies and staff need clear direction (objectives and targets). They also need corporate environments and cultures that encourage and reward actions that contribute to intended results.

Management control systems used by most governments were designed to monitor activities rather than results and effects. The effect of these systems has been more to discourage undesirable behaviour (e.g., errors or non-compliance) than to encourage desirable ones (e.g., innovation).

In recent decades, the concept of "internal controls" has evolved to "control" (Exhibit 3). Control, as it is now understood, includes the traditional areas covered by internal controls (e.g., reducing the risk of errors and fraud), but also includes much more.

Exhibit 3: Moving from 'internal controls' to 'control'

The often-expressed concern of removing bureaucratic controls from governments is that chaos and corruption will fill the vacuum. It is feared that newly empowered employees will make mistakes, ignore basic requirements for fairness and equity, and, even worse, take advantage of the relaxed vigilance to steal the people's money.

Shifting to accountability for results requires changes in the form of control from prescriptive rules to shared vision and values and accountability for results. It also assumes, correctly, that most government employees can be trusted to control themselves, to be honest, to not steal, and to not slack off.

The control strategy can be depicted as a five step exercise:

- get clear on the mission and values of the entity, and get buy-in from employees,
- determine the desired results,
- trust people with the decision-making power and resources to produce those results
- verify whether or not they are producing the results, and
- hold them accountable for how well they do in producing the results.

Source: Osborne, D. & Plastrik P. (1997). *Banishing Bureaucracy: The five strategies for reinventing government*. Reading, MA: Plume.

Control includes whatever permits an entity to take advantage of opportunities, manage risks, perform effectively, and make better decisions. Control consists of all elements of an entity that, taken together, support people in the achievement of the entity's objectives. These elements include resources, systems, processes, culture, structure and tasks.

Control focuses entities on their purpose and ensures they have the commitment and the capacity to achieve their objectives. Control enables entities to provide employees with the necessary freedom to make decisions and take action, and to hold them accountable for results. Shifting from internal controls to control means moving from managing activities to managing results. When entities manage activities, they must tell employees how to carry them out by giving them detailed rules and controls. When entities manage for results, they can give employees more latitude in how they achieve the results, thereby reducing the need for detailed rules.

We think this broader conception of control would be a valuable tool for the Government to use in improving its performance. This concept of control would assist the Government to set clear direction, to develop an environment that encourages innovation and risk taking, and to hold agencies and employees accountable for results achieved. Control, properly implemented, creates an environment that balances the risks of errors, fraud, and non-compliance with the risks of missed opportunities due to pressure to follow rules.

Changing the Government's corporate structure, environment, culture and management processes is not easy; it will take time and resources.

Current legislation

A sound legislative framework would support the Government's move to a system of public accountability for results.

The Assembly and the Government need to ensure laws support such an accountability system by:

- enacting legislation to establish a sound accountability system covering the entire government, key sectors of government, and individual agencies; and
- reviewing supervising agency laws to ensure they give individual agencies the necessary authority to achieve expected results and be accountable for them.

Accountability legislation

Accountability legislation would sustain long-term commitment to a sound public accountability system focused on results. We encourage the Government to consider legislation that provides direction and guidance, but is also flexible enough to allow innovative planning, managing and reporting of results.

This legislation should set out the key elements of a sound accountability system such as that described in Exhibit 1 on page 9. It would apply to the Government as a whole, to key sectors of government and to individual agencies. It would clarify the roles and responsibilities of legislators and the Government's officials in preparing and agreeing upon plans, and preparing and reviewing performance reports. We also recommended this legislation in our 2000 Spring Report.

1. **We recommend that the Government propose to the Assembly legislation establishing a sound public accountability system that requires:**

   - **agreed-upon plans for the Government as a whole, for key sectors and for individual agencies that are clear as to responsibilities, authorities, performance expectations, and resources needed;**

   - **reliable and timely reports on performance for the Government as a whole, for key sectors and for individual agencies; and**

   - **reasonable reviews of performance by committees of the Assembly.**

Supervising agency legislation

Supervising agencies perform essential roles for governments. These agencies:

- perform functions for individual agencies such as staffing, purchasing, payments, and financial information;

- regulate and monitor the decisions and actions of individual agencies to ensure:
  - public resources are safeguarded, properly accounted for, and used for intended purposes; and
  - public services are provided consistently, equitably, and with integrity;

- co-ordinate the plans and actions of individual agencies carrying out broad public policies and objectives; and

- prepare public performance reports for the Government as a whole, e.g., summary financial statements.

Examples of supervising agencies are the Department of Finance, the Public Service Commission, the Purchasing Agency, and the Crown Investments Corporation (CIC).

One of the responsibilities of supervising agencies is to perform key functions (e.g., human resource management, purchasing, and payments) for individual agencies. For example, the Public Service Commission (PSC) is responsible for human resource management for some agencies in the public sector. PSC is responsible for setting broad public policies for human resources. PSC is also responsible for the day-to-day application of those broad policies including when employees are hired and how much they are paid for the knowledge and skills required. As a result, if PSC does the day-to-day application of its broad policies, individual agencies will have limited authority to manage their human resources.

Supervising agencies also regulate and monitor the decisions and actions of individual agencies to ensure, for example, that public resources are safeguarded and used for intended purposes. Legislation gives supervising agencies the power to regulate and control certain decisions and actions of individual agencies such as how they manage annual surpluses. *The Financial Administration Act, 1993* does not allow some agencies to retain annual surpluses (i.e., lapsing of appropriations). We think lapsing of appropriations does not support good financial management practices in those agencies.

In Chapter 1 of our 2000 Spring Report, we describe how agencies, managers, and staff cannot be held responsible and accountable for their performance if they are not given the necessary authority to make decisions on how they will achieve intended results. For example, by having PSC make day-to-day human resource administrative decisions for individual agencies, the Government has limited individual agencies' ability to get intended results. They have also limited agencies' responsibility and accountability for the results they achieve.

We recognize that giving individual agencies appropriate authority, responsibility and accountability consistent with their objectives will not guarantee they will achieve their intended results. As we describe throughout this Chapter, achieving intended results depends on many factors. However, authority to make key management decisions is a necessary condition to achieving, and being accountable for, results.

If the Government is to be successful in moving to an accountability system focused on results, it will need to have supervising agencies delegate authority to individual agencies to make day-to-day administrative decisions. For example, PSC will need to delegate to individual agencies the authority to make key decisions over their human resources. Because PSC is ultimately accountable for setting broad public policies for human resource management in the public service, it will need to ensure that individual agencies effectively carry out their delegated authority to manage their human resources within those broad public policies.

We think the Government needs to study how its supervising agencies can give individual agencies more authority to make key management decisions and take action to achieve their intended results. In moving in this direction, the Government will need to ensure its supervising agencies hold individual agencies accountable for how effectively they carry out their delegated authority.

Establishing these accountability relationships will take time and resources. The Government will need to be satisfied that the new accountability relationships are working well before giving individual agencies more authority to manage for results. We note that CIC has developed these accountability relationships with the subsidiary crown corporations it supervises.

2. **We recommend that the Government consider including in its public accountability project a review of supervising agency legislation to give departments and agencies the needed managerial authority to achieve, and be accountable for, results.**

Organizational capability

Moving towards accountability for results is a major change for governments. Governments will need to build their capability to achieve better results. Governments will need strong leadership and commitment, a suitable corporate culture, adequate rewards and incentives, the right human resources, good information systems, credible public reporting, and adequate performance reviews by legislators.

Leadership and commitment

The long-term commitment and support of legislators, ministers, and senior government officials is essential if the Government is to move to achieve, and be accountable for, results. In our view, the challenges described in this Chapter will simply not be met without strong leadership.

Leadership support must be visible and persistent, especially when criticisms and setbacks arise, and as it becomes clear there are no perfect solutions. Leaders must consistently convey a sense of purpose to stay the course and prevent day-to-day events and crises from overwhelming the process.

Continuity in leadership is critical, especially during the early years when culture is being transformed from a focus on rules and activities to a focus on results. Leaders need time to develop and implement new missions and objectives, and to explain the values that affect their decisions.

Leaders cannot do this work alone. They need the support of champions and facilitators throughout the Government. Further, to obtain and keep the support of legislators, the public and the media, leaders must explain the importance of, and create realistic expectations for, moving to accountability for results.

The Government's December 1999 and subsequent announcements of its accountability project show leadership and commitment to accountability for results. We are encouraged by the significant work being done by the Department of Finance in leading this accountability project and the co-operative efforts of government departments. Also, the Crown Investments Corporation and its subsidiary corporations have established an accountability system using the 'balanced scorecard" approach.

Corporate culture

Shifting from a focus on spending, activities, and compliance to a focus on results requires a change in the corporate culture of governments and their agencies.

Every entity has a corporate culture. Culture is a persistent, patterned way of thinking about the central tasks of and human relationships within an entity. An entity's culture is comparable to an individual's personality. Culture includes the values, norms, attitudes and expectations of employees. It is shaped powerfully by an entity's purpose, its incentives, its accountability system and its power structure. Change these and the culture will change.

For example, if governments use supervising agencies and detailed specifications (e.g., functional units, procedural rules, and detailed job descriptions) to shape what employees do, governments make initiative risky. As employees adapt to these conditions, they become carriers of the corporate culture. The culture tends to become reactive, dependent and fearful of initiative.

On the other hand, if governments use missions and goals (i.e., purpose), and values and incentives (i.e., commitment) to shape what employees do, they encourage employees to take initiative. With a focus on results, combined with incentives to achieve results, employees can be encouraged to take initiative and risks (consistent with shared values) to meet goals and objectives. The corporate culture moves toward initiative, independence, and achievement.

Rewards and incentives

Human behaviour is powerfully affected by incentives. Incentives may be positive or negative; they may encourage or discourage. Some incentives and rewards come from the organization, such as increased authority, responsibilities, public recognition, and financial payment. Others stem from individual motivation such as pride in achievement, peer recognition and a sense of meaningful contribution.

People's behaviour is influenced by how they are managed and rewarded. Individuals' motivations can be strongly influenced by an entity's corporate culture.

A corporate culture dominated by detailed regulations, rules and controls can give employees powerful incentives to follow the rules and keep their heads down. In such a culture, innovation can bring trouble while the status quo maintains steady rewards. In this environment, employees are often paid the same regardless of the results they produce as long as they follow the rules.

A corporate culture dominated by purpose and commitment to get things done motivates employees to focus on results. This is especially true if reward systems and performance measures are consistent with the entity's ethical values, support the achievement of its objectives, and are clearly communicated. In such a culture, managers have the authority to monitor employees' performance, to reward good performance, and to take corrective action where necessary.

Other disincentives to get results exist for government agencies and employees. If a government agency offers fast, reliable, high quality services, demand for its work may go up without any assurance of an increase in resources to handle the increased business. Private sector firms are often rewarded for such behaviour with more money from customers, whereas Government agencies tend to be disciplined for exceeding their budgets. Another example of disincentive to good management is where an agency succeeds in reducing its costs. In doing so, it may be penalized for under-spending its budget by having its next year's budget cut.

Financial incentives for public employees can be a tough sell to legislators and the public. However, governments are finding that legislators and the public are more accepting of these incentives if the governments can show results.

Human resources

People need the necessary knowledge, skills and tools to support the achievement of an entity's intended results.

Planning for results and measuring and reporting progress means a shift from the traditional managing and reporting on payments and activities. Managing for results means managers and staff must have the necessary knowledge and skills to set measurable objectives, strategies, and performance measures; obtain, analyse and interpret data; and measure and report on progress.

We have noted in our audits of government departments and agencies that many have a shortage of employees with these skills. The Government must ensure that all departments and agencies have adequate levels of professional staff with the necessary knowledge and skills to manage and report on results.

Tools supporting people in their achievement of an agency's expected results include physical environment, equipment, and soft assets such as computer software, work standards and methodology, and communication systems. As the Government and its agencies decide on the results they want to achieve, they will have to consider what tools staff will need to succeed. Below, we describe issues and challenges surrounding the Government's need for information technology and systems.

Managing for results requires communication processes capable of supporting two-way, open communication of timely, relevant and reliable information. People need open communications to perform their responsibilities, to co-ordinate decisions and actions with other parts of the agency and the Government, and to monitor performance.

Information systems

Governments and their agencies need sound information systems to measure and report on their performance.

Sound information systems[1] are critical to a government's efforts to measure results, to plan based on those results, and to report progress. Measuring and reporting on a government's performance is a complex task. It requires tracking and analysing large quantities of diverse types of data (e.g. service volumes, quality, and costs; customer satisfaction; demographics). It entails accessing and extracting data from many different information systems. It calls for information systems that link together and share data.

Governments must use good project management practices when they build information systems. They should:

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[1] Information systems consist of five key components organized to achieve specified objectives. The five components are hardware infrastructure, software or programs, people, procedures and data.

- design information systems to meet multiple objectives and goals;
- build new, or modifying existing, information systems efficiently and effectively;
- acquire the right skills and knowledge; and
- ensure information technology (IT) systems and data are secure and reliable.

Designing information systems to meet the multiple goals and objectives of the Government and its agencies is complex. IT requires a co-ordinated IT strategic plan for the Government as a whole and for individual agencies. Co-ordinated planning would help to reduce the risk of inefficiencies and the inability to share data due to the use of redundant processes and incompatible technologies. The Government and its departments are undertaking such an IT strategic planning process.

Measuring and reporting on performance requires new information systems and changes to existing systems. Building new, or modifying existing, information systems efficiently and effectively requires good project management practices. Having such practices throughout government is very important to the success of moving to an accountability system that focuses on results. These practices would help to ensure information systems are ready on time, within budget, and meet the required goals and objectives.

Another important component of building the capacity of information systems is having employees with the right skills and knowledge. For example, professional project managers should lead all significant IT projects. This helps ensure good project management practices are used, thereby reducing risks.

In addition, the Government and its agencies need to implement measures to ensure the security and reliability of all significant information systems and data. Information systems must be available when needed, secure from unauthorized changes, protect the confidentiality of data, and ensure a high degree of data accuracy. The Government and its departments are working on a project to ensure the security and reliability of their systems and data.

Credible performance reports

To hold the Government accountable for its performance, the Assembly and the public need relevant and reliable reports for the Government as a whole, for key sectors of government, and for individual agencies.

In Part C of this Chapter, we describe the challenges the Government faces in building capacity for public performance reporting. So, we limit our comments here to a brief discussion of one issue the Government must handle.

Performance reports consist of financial and non-financial (i.e., operational) information. Unlike financial reporting, there are no generally accepted principles for reporting on operational performance. The Government, therefore, faces a difficult task in preparing performance reports. Fortunately, the Government can draw on the experience of several governments in Canada and around the world that have prepared performance reports for some time. Also, many organizations are working to develop a consensus on performance reporting principles. These include governments, legislative auditors, and professional bodies including the CCAF-FCVI[2]. In a future report, we plan to describe key principles for performance reports.

Adequate reviews by legislators

The final phase of the accountability system is a reasonable review of performance. An accountability system without follow-up is clearly incomplete and unlikely to be effective. Only Members of the Legislative Assembly (MLAs) can perform this function because it is the Assembly that gives responsibility and authority to the Government to raise revenue and to spend public resources. Also, MLAs have an obligation on behalf of their constituents to assess the Government's performance.

Two committees of the Assembly, the Standing Committee on Public Accounts (PAC) and the Standing Committee on Crown Corporations (CCC) have mandates to review certain performance reports (annual reports) of the Government and its agencies.

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[2] CCAF-FCVI states it is a Canadian research and education Foundation dedicated to building knowledge for meaningful accountability and effective governance, management and audit.

PAC has a broad mandate to work with the Provincial Auditor to hold the Government and its agencies accountable for their performance. PAC's mandate includes reviewing the annual Public Accounts and the Provincial Auditor's reports. Traditionally, the Assembly has not referred agencies' annual reports to PAC for review.

CCC's mandate is to review the annual reports of Crown corporations and to question their operations. The Committee typically limits its reviews to the annual reports of Crown corporations that generate income from sources outside the General Revenue Fund.

We think the Assembly should automatically refer all annual reports to its committees for review. Automatic referral of annual reports to committees would ensure timely review of all annual reports by MLAs.

To serve the Assembly's interest in holding the Government accountable for its performance, the committees reviewing annual reports need the following characteristics.

First, the committees' mandates should be to hold the Government accountable for its performance. This broad mandate would cover all aspects of performance planning, measurement and reporting. Second, the committees reviewing the Government's performance should not be comprised of Cabinet Ministers or Government-appointed officials. This composition would increase the committees' objectivity in their assessments of Government's results. Third, the committees should consider working closely with the Provincial Auditor enabling MLAs to question the Provincial Auditor on the reliability of the agencies' reports. Fourth, to ensure timely reviews of reports, the Assembly should authorize the committees to meet when the Assembly is not in session. PAC meets all the above characteristics of an effective committee for the review of performance reports.

3. **Until current legislation is changed, we recommend that the Assembly consider amending its rules to automatically refer all annual reports it receives to its standing committees for review.**

Conclusion

We hope this Chapter will help the Government to identify and manage the key challenges of improving its accountability for results. This will be a long-term initiative. We think the Government, with its dedicated and highly-qualified staff, can successfully make this long-term transition.

As the government moves to managing for results, our Office is changing how we audit, and what we report on, the Government and its agencies. Managing for results requires the Government and its agencies to establish control that enables them to achieve their intended results. Control will evolve from detailed internal controls to help agencies prevent errors and non-compliance to helping the agencies to achieve their objectives and targets. This evolution in the concept of control affects how we audit and report.

Our Office is moving the focus of our audits from detailed controls and compliance to the control agencies establish to help them achieve their objectives. Increasingly, our audits examine and report on whether the Government and its agencies have set clear direction, are managing the risks to achieving their objectives, have good information systems to measure progress, and are preparing timely, reliable, public performance reports.

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Elements of sound public plans

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Executive summary

Governments are under increasing pressure to show results for their spending. Getting results takes careful long-term planning. Sound public plans help the Assembly to debate and approve what the Government plans to achieve and the expected cost of achieving those results.

Sound public plans contain useful information for the Government as a whole, for key sectors of government and for individual agencies on:

- legal mandate (including responsibilities and authorities);
- overall direction and key risks;
- strategies to achieve overall direction;
- resources required to carry out strategies; and
- performance measures and targets.

We recommend that the Government adopt these key elements for its public plans. We hope this Chapter encourages discussion and debate on the key elements of sound public plans.

Glossary

Vision – a brief description of an ideal state or preferred future.

Mission – the reason for an agency's existence. It identifies what the agency does, and why and for whom.

Guiding principles (or shared values) – influence how an agency will conduct itself internally and externally and help it to succeed.

Goals – general statements of desired ends to be achieved over an unspecified period of time.

Objectives – measurable, time-defined ends or results to be achieved that lead to the achievement of each goal.

Strategies – general approaches used to meet objectives and achieve goals.

Action plans – the activities, timelines and resources to implement strategies.

Performance measure – measurable factors used to assess progress toward an identified objective or pre-determined outcome.

Performance – the extent to which an agency or program is achieving its goals and objectives.

Sectors of government – groups of government entities working together to achieve common goals such as health, education, economic development, early childhood development and poverty reduction.

Stakeholders – individuals or agencies with an interest in, or who are affected by, the agency's decisions.

Introduction

As the saying goes: "If you don't know where you are going, any road will get you there". Knowing "where you are going" is taking on more urgency for governments as they come under increasing pressure to show results for their spending.

Governments have traditionally focused on their activities rather than their results. They have focused on their annual budgets and the services the budgets enabled them to deliver rather than the outcomes the budgets and services were intended to achieve. This focus on the short term resulted in long-term planning being neglected.

Governments are starting to pay more attention to the achievement of results. Achieving results takes time, often many years. It requires long-term or strategic planning. Strategic planning helps governments to achieve results by enabling them to set longer term goals, to decide how to work towards and finance their goals, to identify priorities, and to measure their progress. It also enables governments to prepare sound public plans for legislators and the public. Plans help legislators to understand and debate what governments intend to achieve and at what cost.

Planning is the first step in a sound public accountability system. In Chapter 1 of our 2000 Spring Report, we describe the key elements of such a system (Exhibit 1).

Exhibit 1: Key elements of a sound public accountability system

A sound public accountability system includes:

- Agreed upon plans (that are clear as to responsibilities, authorities, performance expectations, and resources needed);
- Reliable reports on performance; and
- Reasonable reviews of performance.

Source: Chapter 1 of our 2000 Spring Report – describes these key elements in more detail.

This Chapter focuses on the first key element of a sound public accountability system, i.e., agreed upon plans. We describe the key elements of sound public plans. Sound public plans are plans presented to the Legislative Assembly by the Government showing the expected results and costs for the Government as a whole, for key sectors of government and for each government agency.

We have decided not to focus on the characteristics (e.g., attributes, principles) of planning reports because these are similar for all useful information. Characteristics of useful information include relevance, reliability and understandability (See Exhibit 2).

Exhibit 2: Characteristics of useful information

To be useful, planning information must be:

1. ***Relevant***

- Demonstrated relationship between information provided and information needs of Assembly and public;
- Aggregated at an appropriate and meaningful level;
- Reported in sufficient time to influence decisions; and
- Readily available in print and electronic form.

2. ***Reliable***

- Neutral and fair, in that judgements made on planned performance is not influenced by the way the information is provided;
- Reasonably accurate and complete; and
- Based on reasonable, disclosed assumptions.

3. ***Understandable***

- Provides the minimum level of detail needed to enable users to gain a proper understanding of the planned performance and activities;
- Focuses on a small number of objectives and performance measures;
- Explains the context and reasons for selected long-term goals and priorities; and
- Comparable over time, i.e., provides actual revenues and expenses for at least 2 prior years and planned revenues and expenses for 3 or more future years.

Source: Our previous work and reports, e.g., p. 52 of our 1999 Fall Report – Volume 2

Key elements of sound public plans

Sound public plans help the Assembly to debate and approve what the Government plans to achieve in the near and distant future and the expected cost of achieving those results. Sound public plans contain useful information on the following:

- legal mandate (including responsibilities and authorities);
- overall direction and key risks;
- strategies to achieve overall direction;
- resources required to carry out strategies; and
- performance targets and measures.

Legal mandate (including responsibilities and authorities)

As noted earlier, even a simple journey requires a plan. Citizens are able to travel or do anything else not prohibited by law. Governments, however, are able to travel or do anything else only as permitted by law. Laws create and limit governments' mandates, responsibilities and authorities.

Therefore, it is important that public plans describe the key laws governing the Government and its agencies, and their responsibilities and authorities. This information helps the Assembly understand and debate an agency's purpose, what it is answerable for, and its power to make and act on decisions. (When we refer to 'agency', we mean the Government as whole, key sectors of government and individual agencies).

Plans should explain an agency's understanding of its reason for existence (i.e., its mission), its preferred future (i.e., its vision) and its guiding principles (i.e., its shared values) (Exhibit 3).

Exhibit 3 – Vision, mission, and values

Vision is a brief description of an ideal state or preferred future. It is not bound by time, therefore, it should be very stable. Due to its idealistic nature, a vision may never be fully realized. Rather, the vision serves to inspire an agency to move towards its ideal state.

Mission is the reason for an agency's existence. It identifies what the agency does, and why and for whom. Placed at the beginning of the Plan, the mission provides the foundation for the rest of the document. The mission should link to the Government-wide mission. The mission is consistent with the agency's legislative mandate, authorities and responsibilities.

Shared values or guiding principles influence all behaviour in an agency and determine its success. Together with an understanding of mission and vision, values constitute the basic identity that shapes the way an agency and its staff operate and provide stability over time. Shared values guide decisions and actions. Examples of shared values are integrity and innovation.

Plans should contain the Minister's and the Board chair's (if applicable) acknowledgement of their accountability to the Assembly for an agency's planned results and costs.

Overall direction and key risks

Before starting a journey, we need to decide our direction. Sound public plans describe an agency's overall direction. Goals and objectives show an agency's planned direction in moving towards its vision.

Plans describe how an agency's goals (Exhibit 4) relate to and support government-wide goals and priorities. Plans briefly describe the context in which goals are selected. Context includes an agency's strengths and weaknesses, external forces, trends, opportunities and threats. Context also includes the needs and wants of the agency's stakeholders and partners.

Exhibit 4: Setting direction

Setting direction is complex. It requires setting goals, objectives, establishing control to achieve objectives, the mitigation of risk, and the identification of assumptions.

Goals are general statements of desired ends to be achieved over an unspecified period of time. Goals reflect how an agency plans to achieve its mission in a manner consistent with its shared values or guiding principles.

Objectives are measurable, time-defined ends or results to be achieved that lead to the achievement of each goal. Objectives are measurable, achievable and reasonable destination points that are focused on results not activities.

Risk is the possibility of adverse consequences from an event or circumstance. That means that a risk is an event or activity that can effect an agency's ability to achieve it goals and objectives.

Control comprises those elements of an agency (including its resources, systems, processes, culture, structure, and tasks) that, taken together, support people in the achievement of the agency's objectives.

Assumptions may be economic or operational. Economic assumptions may include Gross Domestic Product, inflation rates, resource prices, and interest rates. Operational assumptions may include the agency's ability to obtain required staff and equipment or retain the continued co-operation of key stakeholders.

Plans set out an agency's objectives (Exhibit 4) and explain how the objectives relate to the agency's goals. Objectives reflect an agency's top priorities. Because time and resources are always limited, an agency must choose what aspects of its goals to accomplish first. Plans either describe an agency's top priorities or make them apparent in the description of its objectives.

Government objectives are often complex and hard to achieve. When assessing an agency's plan, the Assembly and the public need reasonable confidence or assurance that an agency has the ability to achieve its objectives. Plans provide this assurance in two ways. First, plans describe the key risks (Exhibit 4) an agency must manage well to achieve its objectives. Second, plans provide a brief assessment of the control (Exhibit 4) established to help the agency achieve its objectives.

Plans describe an agency's assumptions (exhibit 4) that are critical to achieving its objectives.

Strategies to achieve overall direction

Once we have set the direction for our journey, we must decide how we will make our way. Sound public plans set out the strategies an agency intends to use to meet its objectives and achieve its goals.

Strategies must clearly relate to objectives and be supported by action plans. Action plans are the activities, timelines and resources to implement strategies. Plans show how the strategies will contribute to accomplishing the expected results.

At times, to carry out its strategies, an agency must work with other departments and agencies. Some objectives, such as the reduction of poverty or economic development, require the co-operation of several agencies and stakeholders. In these situations, an agency's plan outlines strategies for co-operating with others to achieve shared objectives.

Required resources to carry out strategies

With clear direction and strategies, we can now decide what resources we will need to make our journey. Sound plans describe the expected annual and long-term cost of an agency's strategies and the sources of its required revenue. Plans also set out other key resources required to carry out an agency's plan including human resources, capital, and technology. Of course, since the Government's financial resources are limited, the agency must carefully consider its financial boundaries when preparing its plan.

Plans must relate key resources to major strategies. As well, plans should provide a long-term context to the request for resources. For example, plans show actual revenues and expenses for at least two previous years and forecasts of revenues and expenses for at least three future years.

Performance targets and measures

Any journey with a specific destination requires continuous monitoring and correction to remain on course. An agency that intends to move towards a certain destination (i.e., goals and objectives) needs to monitor its progress, and take corrective action when progress does not meet its expectations. Plans should set out the targets an agency wants to achieve and the key performance measures an agency will use to measure its progress toward its objectives and specific targets.

Performance measures monitor progress towards achieving objectives and desired outcomes. Performance measures may monitor the quality, efficiency, or timeliness of results.

Sound plans explain why each performance measure is key to assessing an agency's progress in achieving its objectives (i.e., why each measure is relevant, reliable and understandable (Exhibit 5).

Our recommendation

1. **We recommend that each year the Government give to the Legislative Assembly public plans for the Government as a whole, for key sectors of government, and for individual agencies containing useful information on:**
    - **legal mandate (including responsibilities and authorities);**
    - **overall direction and key risks;**
    - **strategies to achieve the overall direction;**
    - **resources required to carry out strategies; and**
    - **key targets and performance measures.**

Exhibit 5 - Characteristics of useful performance measures

Useful performance measures are:

1. Relevant

- measure progress towards objectives;
- cost effective, i.e., benefits outweigh costs of gathering information;
- able to show how services and activities contribute to outcomes; and
- available on a timely basis.

2. Reliable

- based on data that are fair and neutral (unbiased);
- based on data that are accurate;
- based on data that are available over a long period of time; and
- based on data that are capable of being verified by independent observers.

3. Understandable

- easily understood by the end user;
- complete, e.g., provide the level of detail needed to enable a proper understanding of performance;
- capable of being aggregated at an appropriate and meaningful level;
- focused on a small set of key performance measures; and
- able to show comparisons over time and with other jurisdictions.

Source: Adapted from our 1999 Fall Report – Volume 2, p. 166.

Audit assurance

The Assembly needs to know it can rely on (trust) the information in an agency's plan. Independent audits could provide this assurance.

For example, the Assembly could receive audit assurance that an agency's plan contains all key elements of sound public planning reports.

As well, the Assembly could receive audit assurance that financial forecasts in an agency's plan are reasonable. Forecasts are future-oriented financial information prepared using assumptions that reflect an agency's planned courses of action for the period given management's judgement as to the most probable set of economic conditions. Independent audits could provide assurance that:

- the assumptions developed by management are suitably supported and consistent with the plans of the agency, and provide a reasonable basis for the forecast;
- the forecast reflects such assumptions; and

- the financial forecast complies with the presentation and disclosure standards for forecasts established by The Canadian Institute of Chartered Accountants.

We plan to study what audit assurance could be provided in an agency's plan, and how such assurance could be provided. In the future, we will discuss options for assurance reporting on public planning reports with the Government and the Assembly.

Our future plans

We have prepared this Chapter to encourage discussion and debate on the key elements of sound public planning reports. In future reports, we plan to continue describing our views on the key elements of a sound public accountability system. These reports will set out:

- key elements of processes to plan;
- principles of reliable reports on performance; and
- processes to help the Assembly to perform reasonable reviews on the Government's performance reports.

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Building capacity for government performance reports

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Executive summary

In 1999, the Government of Saskatchewan developed a new accountability framework. The new approach to accountability expects managers and Members of the Legislative Assembly (MLAs) to focus on results rather than on specific activities.

Focusing on results requires organizations to set specific objectives and targets for how much they want to accomplish by a specific time. Focusing on results also requires organizations to measure whether they achieved the results they planned (their targets). When managers report their achievements using these measures, we call it a performance report.

Part C of this Chapter sets out best practices that will build the capacity of the Government to make performance reports to the public. The Government can encourage performance reporting by ensuring:

- sustained commitment from the highest leadership levels,
- a learning culture aimed at continuous improvement,
- Government processes and information systems facilitate performance reports, and
- performance reports to the public are credible.

When Government departments report their performance, the Government improves its accountability to the Legislative Assembly and the public. We hope the best practices discussed here will help the Government improve its performance reports to the public.

Introduction

Our objective here is to highlight best practices that increase the capacity of governments to explain their plans and report their performance to the public. In particular, we describe how the Department of Finance could work with departments to build their capacity to report results to the public. This is not a report of audit findings. In 2001, we will audit the actions of the Department of Finance toward building the capacity of departments for performance reports and then will report our findings.

We hope to stimulate discussion about how to develop performance reporting within the Government. In addition, we hope to assist the Government to take specific actions to improve its ability to report its performance to the public. Improved reports of the Government's performance contribute to better decisions and increased accountability to the Legislative Assembly and the public.

Background

During the 1980s and 1990s, governments around the world began to focus on managing for *results*, rather than managing *activities*. In part, this shift responded to the public's demand for reports of governments' results rather than lists of activities or efforts. The public wants to know how government organizations perform. That is, they want to know whether spending public money achieves the intended results.

In Saskatchewan, the Crown corporation sector has been working on performance management and reporting for several years. In 1993, the Crown Investments Corporation of Saskatchewan (CIC) encouraged the development of targets and performance measures to monitor results in the CIC Crown corporation sector. CIC Crown corporations now monitor specific targets and performance measures. Earlier this year, CIC approved a timetable for publicly reporting key elements of the performance of CIC Crown corporations. The timetable requires progressive improvement in the annual reports of the CIC Crown corporation sector.

Most Saskatchewan Government departments have little experience with performance management and reporting. However, a few departments report key parts of their performance to the public. For example, since

1994, the Department of Education annually reports the education system's performance compared to its planned goals in *Saskatchewan Education Indicators*.

In 1998, the Government initiated a project called "Performance Management and Accountability" (Accountability Project). The Project proposed an accountability framework for the Government of Saskatchewan. This framework uses three components: planning, performance management and reporting.

In 1999, the Government asked the Department of Finance to gradually implement the new accountability framework across the Government. A Steering Committee of deputy ministers guides the Department of Finance and encourages departments as they use the new accountability framework.

The initial phase of the Accountability Project emphasized the importance of clear plans. The Project encouraged all departments to strengthen the way they plan. More specifically, a pilot project helped seven departments further develop their strategic plans.

In 2000, the Accountability Project asked all departments to strengthen the way they plan and to identify key performance measures. We encourage departments to use these key performance measures to monitor and manage their results. In future, we expect departments will use these performance measures to explain their results to the public.

Why focus on results?

Saskatchewan is part of a global economy where communication is instantaneous and world wide. This environment demands that organizations respond rapidly to changing circumstances. To be successful in this environment, governments need to monitor their results and to change what is not working.

In order to monitor their results, governments must be more clear what they intend to accomplish with their resources. All organizations need to set specific objectives and measure whether they are achieving them as intended. To do this well, organizations must: (a) set specific targets related to their objectives, and (b) identify ways to measure whether their results are what they intended.

Targets and performance measures make it possible to monitor results. They make it possible to project future results and take action if needed. Information that helps governments to look ahead and be prepared for the future is essential in our fast-paced, global environment. Organizations that cannot monitor their results and forecast their future achievements become a risk to governments' ability to carry out their mandates.

Using performance targets and measures helps departments to take timely action to achieve the desired results. This is called managing for results or performance management. It requires that departments use performance information to help make decisions and take action to improve results.

When managers also report their results to the public, then the public is better able to assess the performance of governments. Public reports of key targets and measures of actual results help to provide a more comprehensive picture of governments' performance than presently exists. They also increase governments' accountability to the public.

The way ahead

As governments move towards performance management, it will become easier to make useful reports of their performance to the public. However, moving to a sound performance management and reporting system takes time. The development of a mature performance management system takes several years.

There are risks in moving too quickly. For example, if the process is rushed there is the risk that the targets identified will not be reasonable and the performance measures selected will not be relevant. Inappropriate targets and performance measures could direct attention to less useful areas. Another risk is that government organizations report their results without actually using the targets and performance measures to manage. This can lead to the publication of results without the benefits of improved decisions based on monitoring results and responding promptly when results are not what was expected.

There are also risks in moving too slowly toward a results orientation. If the pace is too slow, there is a risk that too much effort goes into perfecting very small changes. The process may get bogged down or stall without sufficient speed to overcome resistance to change.

Careful planning will move the Government's accountability initiative more quickly toward better performance management and reporting. The transition to full implementation and long-term sustainability requires leadership, commitment, resources and co-operation. It also requires the Government to support its new management practices with appropriate training and legislation.

The Accountability Project is a good step toward improved public accountability. We support this initiative to emphasize results and improve how the Government reports its performance to the public. We encourage the supervising agencies of the Government to help departments to improve performance reports and thus contribute to better decisions and greater accountability.

Best practices for building capacity

The best practices that follow reflect relevant literature and the findings of other auditors. They also reflect the views of experts in both the private and the public sectors regarding how to implement performance management successfully.

We worked together with the Government's Accountability Project team to ensure these best practices are appropriate in Saskatchewan. In addition, we obtained advice from other individuals including senior officials in Executive Council, CIC and key departments (primarily the Steering Committee for the Accountability Project). We also consulted legislative auditors in other jurisdictions and national organizations who focus on performance management and public performance reporting.

The Steering Committee for the Accountability Project and the Department of Finance agreed that the following best practices could help to build capacity for performance reporting in Saskatchewan. All supervising agencies and departments could use most of these best practices, but we focus on the Department of Finance. We focus on actions the Department of Finance could take because of its current role in implementing the Government's accountability framework.

We grouped the best practices into four major areas of activity. To help departments build their capacity for reporting the Government's performance to the public, the Department of Finance should work to:

1. sustain commitment, at the highest leadership levels, to report the results of the Government's performance;
2. promote a Government-wide learning culture to improve public performance reporting;
3. establish processes and information systems that facilitate performance reporting; and
4. establish processes to ensure that public performance reports are credible.

A discussion of each of these best practices follows. Exhibit 1 (see page 55) presents an overview of the best practices in greater detail.

Sustain commitment at the highest leadership levels

Reporting results requires on-going commitment from the most senior officials of governments. As we discussed earlier, the full implementation of a performance management and reporting system will take several years. To ensure success, it is essential to sustain commitment at the highest leadership levels over the long term. The commitment of the highest leadership levels makes it possible to plan for specific results, to monitor their achievement, and to report the results.

To sustain the commitment of senior government officials and legislators, these leaders need to know the benefits of managing for results and performance reporting. For example, performance information helps governments to make informed decisions. It also helps governments to explain their progress toward their planned results to the public.

Senior leaders change frequently in governments. Thus, it is important to communicate these benefits regularly. For example, orientation sessions for new legislators and senior executives help by explaining performance management. Useful orientation sessions show how clear objectives with specific targets direct governments' activities and enable reports about progress toward governments' key objectives. Orientation sessions also draw attention to the performance reports that are already available. These sessions can explain how to use performance reports to make informed decisions.

Integrating performance information into strategic planning helps governments to plan specific results-oriented objectives. The Department of Finance could demonstrate how key performance information helps departments to set realistic targets within those objectives. It could also demonstrate how key performance information moves the attention of decision-makers into areas that are important for governments' success.

Leaders who are committed to better information about results dedicate resources to creating performance reports. There is a cost to preparing results information. It takes time to learn new skills and to collect and analyse new information. However, not all costs are "add-on" costs as some reports of governments' activities may be discontinued when they are replaced with reports of results.

Laws help to sustain long-term commitment to measure and report results. Legislation guides the way that governments plan and control what is reported to the public. We encourage the Government to consider legislation that provides direction and guidance, but is also flexible enough to allow innovative public reporting that meets the needs of legislators and other stakeholders.

Legislation that sustains commitment to performance management and reporting would contain a framework and principles for accountability that applies to the whole Government. It would clarify the roles and responsibilities of legislators and the Government's officials. Legislation that promotes accountability would also require that the Government report its progress to the public on a regular basis.

Promote a government-wide learning culture

The Government's new accountability framework anticipates that all Government departments will set out a clear plan, act on it and report progress toward their results. In the past, managers reported their actions, but they seldom reported their results. For example, departments reported the number of services they provided and their total expenses.

They did not report whether the services achieved their intended purpose (e.g., support financial independence, create employment).

Often governments' actions are aimed at influencing situations over long periods of time. The results are not immediate. It is hard to measure and report results that do not happen within a year. Thus, the new focus on results adds complexity to accountability in governments.

Creating a learning culture about this results-oriented approach to management is essential. A learning culture promotes and provides education about performance reporting. It also helps people adapt to results-oriented management and encourages continuous improvement in reporting performance to the public.

Results-oriented management leads legislators and managers to ask new and different questions. It requires managers to collect new kinds of information to answer those questions. New skills and behaviours must be mastered, including setting reasonable targets, selecting relevant measures of results and explaining progress in terms of comparisons to plans.

Learning about performance management reorients how managers think about issues. It encourages longer-term strategic management of outcomes in addition to short-term management of emergent issues. Managers move to a results-oriented approach more quickly if they have access to training and to other learning opportunities. Even inexpensive, informal learning opportunities help, including web sites about performance reporting.

An environment that invites experimentation and careful risk-taking supports this management approach. Giving managers recognition for their willingness to experiment and to learn is essential. It contributes to an atmosphere of continuous learning that strengthens governments' ability to achieve its objectives.

Establish processes and information systems

Regardless of the management approach governments choose to use, their information systems and other processes need to generate information that is understandable, reliable and relevant. Supervising agencies like the Department of Finance have an important role to play in making this possible.

Selected key information should be collected in ways that allow comparisons. Information about performance becomes much more meaningful when it is compared to a target result that the organization wants to achieve. It is also helpful to compare performance information to last year's information or to information from a similar organization. This makes information more understandable and useful for everyone.

Collecting information that is reliable (i.e., accurate, verifiable, unbiased) and comparable is important. To do this, governments must make decisions about how to define commonly used terms. It is also important to standardize some practices for collecting information. In some cases, governments need to adjust their information systems to enable consistent tracking and reporting of key information.

Successful organizations focus on priority objectives. Monitoring performance can be overwhelming unless there is a focus on key performance measures that relate to priority, results-oriented objectives. Governments that use best practices also select performance measures based on research and other evidence that the measures are valid.

In the future, we anticipate that Government departments will use the new accountability framework more consistently. Then the Department of Finance may wish to ensure all departments have information systems that are capable of reporting large amounts of information in easily understandable pieces. The experience of governments that report their results is that the initial focus should be on using reliable information that is already available.

Using available information allows departments to start immediately. It helps managers to assess the general direction of trends rather than focusing on developing information systems to track precise details of numbers that are, after all, simply indicators of general patterns.

When governments determine their information system requirements they must consider trade-offs between costs and benefits. In particular, governments using best practices allow departments sufficient time to experiment with various ways to measure performance. This helps to ensure that when information systems are put in place, they have long-term value.

Establish processes to ensure that public performance reports are credible

Accountability requires accurate and credible performance reports. This is not simply a matter of making the correct information available. The following best practices help governments to make their performance reports more credible and thus earn the confidence of the public.

Performance measures influence what information governments report. Therefore, departments need to invite their stakeholders to help select the performance measures for the department's priority objectives. Those stakeholders most likely to use the performance information will be most helpful in selecting performance measures.

Perhaps the most important stakeholders using performance information are legislators with responsibility for governments' results. Legislators must be consulted when departments choose performance measures. Ultimately, Ministers decide what is reported and their early involvement is essential.

Researchers and other specialists in each sector can also help build credibility. These stakeholders help departments to choose valid performance measures that can be reasonably interpreted. The departments' managers are also key stakeholders for selecting performance measures. If performance measures are useful, the information helps managers to focus on results and informs their decisions.

The Department of Finance should recommend that the Government move toward two other best practices to increase public confidence in the Government's performance information. First, the Government should provide performance reports that have been audited, just as it does for financial reports. Second, the Government should establish processes to help stakeholders monitor the information in departments' performance reports. We discuss these two best practices below.

Legislators should require that all government organizations obtain independent audit assurance for their performance reports. Audit opinions help to verify that the information is correct and reliable, based on an assessment of how the information was collected and analyzed. Audit opinions can also help to verify that performance information is sufficiently up-to-date and appropriate to be useful.

Accurate and credible reports are more useful and more likely to be used. Monitored reports are more likely to be fair. The Department of Finance should consider how it encourages the consistent and timely use of the Government's performance reports. For example, the Department could recommend that decision makers and key stakeholders regularly review performance reports. It could also encourage a standing committee of the Legislative Assembly to monitor performance reports.

Summary

Exhibit 1 highlights best practices to build capacity for performance reporting.

We urge the Department of Finance and others to use these best practices to strengthen the Government's capacity to manage and to report its performance to the public. Using these best practices will enable more informed decision-making. They will help the Government explain its progress to the public.

When governments report on their performance, they improve their accountability to the public. Effective performance reports tell the public how government organizations perform. That is, performance reports help to explain whether spending public money achieves the intended results.

In future, we plan to audit the activities of the Department of Finance in this area. We will work with the Department to identify a relevant area for audit. We plan to focus on an area where the Department has a key role to help departments build their capacity for reporting their results to the public.

Exhibit 1 - Best practices

To build the capacity of departments for reporting about the Government's performance to the public, the Department of Finance should:

1. **sustain commitment, at the highest leadership levels, to report the results of the Government's performance**
   - promote the benefits of performance reports for making informed decisions and communicating with the public
   - integrate performance information into strategic planning
   - recommend resources that are dedicated to performance reporting
   - recommend legislation to guide and sustain performance reporting to the public

2. **promote a government-wide learning culture to improve public performance reporting**
   - promote and provide education about performance reporting
   - help managers and legislators adapt to managing for results and reporting performance to the public
   - encourage continuous improvement in public performance reporting

3. **establish processes and information systems that facilitate performance reporting**
   - promote the use of relevant information for performance reports
   - support the use of reliable information for performance reports
   - assist departments to present understandable performance reports
   - encourage co-operation and common approaches across Government

4. **establish processes to ensure that public performance reports are credible**
   - promote involvement of key stakeholders to select relevant performance measures
   - recommend that independent verification of the reliability and relevance of key information reported to the public be required
   - recommend the establishment of processes to monitor the information in performance reports

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Government sector financial statements

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Introduction

In our reports, we have encouraged the Government to improve various aspects of its public accountability system. One of the components of a better accountability system is the presentation of reliable reports on the performance of key government sectors. Reporting a sector's financial results is an important part of the Government's public accountability for that sector.

Background

Information about a government's plans and actual performance should be presented in a clear and understandable form. The Government can help to ensure that MLAs and the public are able to understand the Government's plans and results by setting out key information for the Government as a whole, for key government sectors, and for individual government organizations. In this Chapter, we focus on the presentation of information for government sectors.

To stimulate further discussion and study of government sector performance reporting, we have prepared *pro forma* consolidated financial statements for one government sector. These financial statements combine government organizations that together comprise the Agriculture sector. We prepared the statements from available information. Information not readily available has been omitted. These *pro forma* financial statements have not been audited.

Benefits of government sector financial statements

Government sector financial statements allow readers to more easily review the overall results of the Government's strategy and action plan for a particular sector. A large number of government organizations exist with individual mandates. Sector financial statements can help readers to understand the combined effect those organizations have.

The preparation of financial statements for key sectors would allow the Government to clearly show what resources it has available to deliver its programs and to explain its achievements in a broader context. These statements would provide a complete overall picture of what Ministers and their departments are responsible for, even when the Government

- changes the way it delivers a program (e.g., through a department versus through a fund or a Crown agency).

The preparation of statements in a format similar to those we are presenting would be a useful first step in showing what Ministers are responsible for managing. To report the actual cost of services, however, additional steps would have to be taken. The steps required include changing to the expense basis of accounting (i.e., recording capital assets and amortizing the cost over their life) and recording the costs that are now borne, and reported, by other organizations.

The preparation of sector financial statements may lead the Government to reassess the financial reporting requirements for some individual entities. Sector financial statements with appropriate disclosure of components or segments could reduce the need for separately prepared financial statements for smaller entities. This issue warrants further consideration of all stakeholders' needs before changes are made.

The Government announced its plan to enhance accountability through the development of departmental goals, objectives, and performance targets in the December 1999 Throne Speech and in the March 2000 Budget Address. The use of sector financial statements that include all organizations for which a Minister is responsible can be a significant step towards improved government accountability.

Preparing sector financial statements

Reporting entity

One of the tasks in preparing financial statements for a government sector is to identify the organizations whose financial results should be grouped together. For governments as a whole, the Public Sector Accounting Board (PSAB) has defined the scope of the reporting entity as follows:

> The government reporting entity should comprise the organizations that are accountable for the administration of their financial affairs and resources either to a Minister of the government or directly to the legislature…and are owned or controlled by the government.

Applying this principle to the Agriculture sector, we included in these financial statements all entities that are accountable to, and the responsibility of, the Minister of Agriculture. Therefore, in addition to the Department's financial results, these consolidated statements for the Department of Agriculture and Food include the financial results of six special purpose funds and nineteen Crown agencies. They are listed in Note 3(a) to the financial statements in Exhibit 1.

Basis of accounting

The accounting and reporting principles used to prepare these financial statements in Exhibit 1 are based on PSAB recommendations.

All but one of the organizations in the Agriculture sector are governmental units (i.e., government organizations that are not business enterprises). According to PSAB, the appropriate basis of accounting for units that comprise a reporting entity is to consolidate them on a line-by-line basis, after eliminating any transactions and balances between them. One organization in the Agriculture sector is a government business enterprise – the Milk Control Board. PSAB states that the modified equity method is the appropriate way to account for business enterprises.

These consolidated financial statements are prepared on the expenditure basis (i.e., capital asset purchases are reflected as a cost of the period in which they are acquired). This is the same basis that is used now to prepare the Government's summary financial statements. In the future, if the Government decided to prepare the summary financial statements on the expense basis (i.e., capital assets costs are amortized over their life), the government sector financial statements could be easily converted to this basis as well.

Accounting for transactions with the GRF

The Department of Agriculture and Food receives annual appropriations from the General Revenue Fund (GRF) to fund its operating and capital costs. It may also receive appropriations so that it can provide repayable loans and advances (e.g., Short-term Hog Loans). The *pro forma* financial statements reflect GRF appropriations received by the Department as revenue.

Some of the money collected and reported as revenue by the Department is required by law to be assigned directly to the GRF. These transfers from the Department to the GRF are reported separately as a change in the Department's net financial assets. They do not affect the Department's net financial assets.

Costs borne by other government organizations

While the financial statements in Exhibit 1 are useful and a good first step, they would be more useful if the Government allocated all costs. To properly understand and assess an entity's performance, it is important for the accounting information collected and presented about the entity's activities to be complete and accurate. Information about the full cost of programs is needed. Currently, the Government does not allocate all costs to the appropriate programs or entities.

It is common in government for certain costs to be paid on an entity's behalf by other government organizations. For example, the employer's share of required contributions to employee pension plans and premiums for Canada Pension Plan, Employment Insurance, and Workers' Compensation are paid on behalf of several government organizations by the Department of Finance. These direct costs could be easily allocated to the entity to which they relate. Other indirect costs may be more difficult to allocate, i.e., those borne by the departments that provide services for all of government, such as legal services, central accounting and computer services, and human resource services.

One very significant cost that is not reflected as an expenditure of any department or Crown agency is the annual pension expenditure for the Public Service Superannuation Plan. This expenditure exceeds $100 million each year.

Another significant item is the debt that the Department of Finance incurred for general government purposes, and the interest costs on that debt. Excluding debt and interest costs from the financial statements of departments reduces their usefulness.

Performance reports would be most useful if all costs were recognized in the financial statements. At a minimum, costs not recognized by an organization should be disclosed in the notes to its financial statements.

Developments outside Saskatchewan

Some governments currently prepare financial statements for their departments and sectors. For example, in Alberta, the Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of its 18 ministries. Each ministry's annual report includes consolidated ministry financial statements as well as individual financial statements of the applicable department and other entities making up the ministry. Each Minister is held accountable for the performance results compared to the desired results set out in the ministry's business plan.

Recommendation

We encourage the Government to prepare government sector financial statements. This will improve public accountability and decision-making.

1. **We recommend that the Government study the merits of preparing government sector financial statements.**

Exhibit 1

Department of Agriculture and Food

pro forma
Consolidated Financial Statements

For the Year Ended March 31, 1999

(unaudited)

Statement 1

DEPARTMENT OF AGRICULTURE AND FOOD
PRO FORMA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31
(unaudited)

	1999	1998
	(in $ thousands)	
FINANCIAL ASSETS		
Current assets:		
Cash and temporary investments	$ 38,798	$ 17,666
Funds on deposit with the GRF (Note 4)	434,136	184,797
Accounts receivable (Note 5)	35,599	32,141
Accrued interest receivable	6,309	1,917
Inventories and other assets for sale	12,188	12,561
Prepaid expenditures	5,277	3,886
	532,307	252,968
Non-current assets:		
Loans, advances and deposits (Note 6)	93,941	121,040
Portfolio investments (Note 7)	11,121	9,102
Agricultural land held for sale (Note 8)	115,509	117,044
Investment in a business enterprise	401	288
	220,972	247,474
	$ 753,279	$ 500,442
LIABILITIES AND NET FINANCIAL ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 15,908	$ 16,854
Due to Government of Canada	70,751	447
Deferred revenue – current portion	3,110	2,633
Long-term debt – current portion (Note 10)	611	34,856
	90,380	54,790
Non-current liabilities:		
Long-term debt (Note 10)	94,179	91,133
Accumulated net expenditure of revolving funds	2,864	1,811
Deferred revenue (Note 11)	43,922	11,421
	140,965	104,365
Total liabilities	231,345	159,155
Net financial assets (Statement 2) (Schedule 1)	521,934	341,287
	$ 753,279	$ 500,442

Contingencies (Note 12)

(See accompanying notes to the financial statements)

Statement 2

DEPARTMENT OF AGRICULTURE AND FOOD
PRO FORMA
CONSOLIDATED STATEMENT OF REVENUE, EXPENDITURE AND NET FINANCIAL ASSETS
Year Ended March 31
(unaudited)

	Budget (Note 13)	1999	1998
		(in $ thousands)	
Revenue (Schedule 1)			
Transfers from the GRF	$	$ 337,775	$ 203,819
Insurance premiums from producers		76,153	82,436
Transfers from Government of Canada		75,963	48,190
Investment income (Note 15)		36,550	33,030
Land leases		23,491	22,102
Sales of other goods and services		11,768	15,500
Licences, permits and fees		11,085	9,421
Other		2,759	4,168
		575,544	418,666
Expenditure (Schedule 1) (Note 16)			
Insurance indemnities		92,798	84,740
Income support		109,996	41,295
Research and development		45,700	51,357
Operations		30,704	35,242
General and administration		32,009	35,765
Interest paid to the GRF		30,589	32,020
Tangible capital assets		4,132	3,655
Provision for losses		4,304	10,160
		350,235	294,234
Income from a business enterprise		114	137
Surplus for the year (Schedule 1)		225,423	124,569
Other changes in net financial assets:			
Revenues assigned to the GRF		(41,777)	(45,891)
Other transfers of assets		(2,999)	(331)
Total change in net financial assets		180,647	78,347
Net financial assets, beginning of year		341,287	262,940
Net financial assets, end of year - to Statement 1	$	$ 521,934	$ 341,287

(See accompanying notes to the financial statements)

Statement 3

DEPARTMENT OF AGRICULTURE AND FOOD
PRO FORMA
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended March 31
(unaudited)

	1999	1998
	(in $ thousands)	
Operating activities:		
Cash received from customers and others	$ 121,168	$
Cash paid to suppliers and employees	(166,388)	
Transfers from the Government of Canada	110,711	
Transfers from the GRF	328,625	
Transfers to individuals and organizations	(85,393)	
Interest paid on long-term debt	(31,702)	
Investment income received	32,157	
	309,178	194,669
Financing activities:		
Repayment of loans, net	(29,502)	(85,729)
Revenues assigned and paid to the GRF	(25,361)	(30,159)
	(54,863)	(115,888)
Investing activities:		
Purchase of portfolio investments	(4,410)	(4,624)
Loan disbursements	(8,947)	(95)
Loan repayments collected	27,924	58,282
Proceeds from land sales	1,589	1,214
	16,156	54,777
Net change in cash position during the year	270,471	133,558
Cash position, beginning of year	202,463	68,905
Cash position, end of year	$ 472,934	$ 202,463
Cash position is comprised of the following:		
Cash and temporary investments	$ 38,798	$ 17,666
Funds on deposit with the GRF	434,136	184,797
Total	$ 472,934	$ 202,463

(See accompanying notes to the financial statements)

Statement 4

DEPARTMENT OF AGRICULTURE AND FOOD
PRO FORMA
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS

Year Ended March 31
(unaudited)

	Land	Buildings	Equipment Vehicles	Totals 1999	Totals 1998
			(in $ thousands)		
Estimated useful life	indefinite	20-30 yrs	3-10 yrs		
Cost, beginning of year	$ 676	$ 3,792	$ 21,975	$ 26,443	$
Additions	2	1,312	2,789	4,103	
Disposals	(147)	(1,551)	(656)	(2,354)	
Cost, end of year	$ 531	$ 3,553	$ 24,108	$ 28,192	
Accumulated amortization, beginning of year	---	1,586	14,677	16,263	
Amortization	---	116	2,323	2,439	
Disposals	---	(981)	(342)	(1,323)	
Accumulated amortization, end of year	---	721	16,658	17,379	
Net book value	$ 531	$ 2,832	$ 7,450	$ 10,813	$

(See accompanying notes to the financial statements)

Schedule 1

DEPARTMENT OF AGRICULTURE AND FOOD
PRO FORMA
SCHEDULE OF SEGMENTED INFORMATION
Year Ended March 31
(unaudited)

	Departmental Entity	Loan/Investment entities – ACS, AFEF	Income Support - SCIC, SASF, Re-insurance Fund	All Other entities	Adjustments	Totals 1999	Totals 1998
						(in $ thousands)	
REVENUE							
Transfers from the GRF	$ 337,775	$ 20,466	$ 224,362	$ 768	$ (245,596)	$ 337,775	$ 203,819
Sales and other revenue	29,193	21,991	89,224	21,398	---	161,806	166,657
Transfers from Govt of Canada	12,122	---	40,988	22,853	---	75,963	48,190
Inter-entity revenue	462	---	---	1,259	(1,721)	---	---
	379,552	42,457	354,574	46,278	(247,317)	575,544	418,666
EXPENDITURE							
Operating and program costs	81,971	39,149	190,374	38,741	---	350,235	294,234
Inter-entity expenditures	247,287	---	---	30	(247,317)	---	---
	329,258	39,149	190,374	38,771	(247,317)	350,235	294,234
Income from business enterprise	---	---	---	114	---	114	137
Surplus/deficit for the year	50,294	3,308	164,200	7,621	---	225,423	124,569
Transfers	(41,777)	---	---	(2,999)	---	(44,776)	(46,222)
Net financial assets, beg. of yr.	128,543	(299)	199,665	13,378	---	341,287	262,940
Net financial assets, end of yr.	137,060	3,009	363,865	18,000	---	521,934	341,287
ASSETS							
Current assets	15,286	16,565	468,812	31,644	---	532,307	252,968
Inter-entity balances	11,108	3,150	5,252	---	(19,510)	---	---
Investments and loans	122,322	95,271	---	3,379	---	220,972	247,474
	148,716	114,986	474,064	35,023	(19,510)	753,279	500,442
LIABILITIES							
Current liabilities	4,879	7,730	5,971	1,049	---	19,629	54,343
Inter-entity balances	6,148	10,068	3,227	67	(19,510)	---	---
Due to Government of Canada	629	---	70,000	122	---	70,751	447
	11,656	17,798	79,198	1,238	(19,510)	90,380	54,790
Long term debt	---	94,179	---	---	---	94,179	91,133
Other non-current liabilities	---	---	31,001	15,785	---	46,786	13,232
	---	94,179	---	15,785	---	140,965	104,365
	11,656	111,977	110,199	17,023	(19,510)	231,345	159,155
Equity:							
NET FINANCIAL ASSETS	$ 137,060	$ 3,009	$ 363,865	$ 18,000	$ ---	$ 521,934	$ 341,287

DEPARTMENT OF AGRICULTURE AND FOOD
PRO FORMA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999
(in $ thousands)
(unaudited)

1. Legislative Authority

The Department of Agriculture and Food is continued under *The Department of Agriculture Act* (Act). According to the Act, all of the administration of the Government of Saskatchewan relating to agriculture is under the control of this Department. The Minister of Agriculture is responsible for the Department and all of its funds and Crown agencies.

2. Mandate

The Department's mandate is to add value to agriculture by fostering a commercially viable, self-sufficient and sustainable agriculture and food industry; in partnership with industry. The Department's annual report sets out its goals, key objectives, and related performance results.

3. Significant Accounting Policies and Reporting Practices

Management of the Department is responsible for preparing these consolidated financial statements in accordance with generally accepted accounting principles. The main source of appropriate accounting principles is the recommendations of the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants (CICA). When necessary, management consults other sources, such as the Accounting Standards Board of the CICA, other authoritative pronouncements, and published financial statements relating to the public sector or analogous situations in the private sector.

a) Reporting entity and consolidation principles

These consolidated financial statements include the accounts of the departmental entity and the accounts of the following special purpose funds and Crown agencies that are accountable to, and the responsibility of, the Minister of Agriculture and Food. For further information, readers should refer to the individual financial statements of these funds and agencies that are prepared and submitted annually to the Legislative Assembly.

i) Special purpose funds

Agri-Food Equity Fund
Cattle Marketing Deductions Fund
Conservation and Development Revolving Fund
Horned Cattle Fund
Livestock Services Revolving Fund
Saskatchewan Agricultural Stabilization Fund[1]

ii) Crown Agencies

Agricultural Credit Corporation of Saskatchewan
Agricultural and Food Products Development and Marketing Council*
Agri-Food Innovation Fund[1]
Beef Development Board
Milk Control Board[1]
Prairie Agricultural Machinery Institute
Saskatchewan Crop Insurance Corporation
Crop Reinsurance Fund of Saskatchewan[1]

* Crown agencies accountable to the Council:

Saskatchewan Alfalfa Seed Producers' Development Commission[1]
Saskatchewan Broiler Hatching Egg Producers' Marketing Board[1]
Saskatchewan Canola Development Commission[1]
Canodev Research Inc.[1]
Chicken Farmers of Saskatchewan[1]
Saskatchewan Commercial Egg Producers' Marketing Board[1]
Saskatchewan Flax Development Commission[1]
Saskatchewan Pulse Crop Development Board[1]
Saskatchewan Sheep Development Board[1]
Saskatchewan Turkey Producers' Marketing Board[1]
SaskPork[1]

[1] These are internally restricted entities. See Note 14.

Milk Control Board (MCB) is a government business enterprise as it is self-sufficient and sells goods and services to individuals and non-government organizations as its principal activity. Accordingly, MCB is recorded on the modified equity basis whereby the Government's investment is adjusted annually to include the changes in MCB's net assets without adjusting them to conform to the accounting policies described below.

All of the Department's other special purpose funds and Crown agencies are government service organizations. They are accounted for using the accounting policies described below. In addition, transactions and balances between these entities are eliminated. The financial results of entities with year-ends other than March 31 are not adjusted unless the effect would be significant to the consolidated results.

In these financial statements, the term "the Department" is used to collectively describe the activities of the entire reporting entity.

b) Accrual Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. This reflects transactions when they occur, rather than when they are settled. Amounts received for which goods or services have not been provided, or for which the related expenditures have not been incurred, are recorded as deferred revenue.

Funds collected under shared-cost agreements are subject to externally imposed restrictions that specify the purpose for which the funds may be spent. These restricted contributions are recognized as revenue in the period when the related expenditures are incurred. Contributions pertaining to future expenditures are recorded as deferred revenue.

c) Transfers from/to the General Revenue Fund (GRF)

Transfers from the GRF are provided to fund various operating and capital expenditures made by the Department. Transfers to the GRF are related to revenues the Department collects that it is required to assign directly to the GRF.

d) Federal transfers

Restricted transfers received from the Federal Government are recognized as revenues when the resources are used for the specified purposes. Unrestricted transfers are recognized as revenue when received or receivable if the amount can reasonably estimated.

e) Transfers to organizations and individuals

Authorized entitlements to eligible recipients are recognized as expenditures when entitlements become due if the amounts can be reasonably estimated.

Authorized transfers under shared-cost arrangements are recognized as expenditures when the eligibility criteria, if any, have been met by the recipient.

Grants are recorded as expenditures when they have been approved and the eligibility criteria, if any, have been met by the recipient.

f) Temporary investments

Temporary investments are those with initial terms of less than three months that are readily convertible to cash. Temporary investments are recorded at cost, which approximates fair value.

g) Provision for losses

The provision for losses represents management's best estimate of likely losses based on a review of individual receivables and investments.

h) Inventory

Inventory for sale is valued at the lower of average cost and net realizable value.

i) Tangible capital assets

These financial statements report financial results on the expenditure basis. Accordingly, tangible capital assets are reported as expenditures in the year acquired and are not included in the Consolidated Statement of Financial Position. Tangible capital assets do not include Crown lands and natural resources which have not been purchased by the Government.

Tangible capital assets with a cost exceeding $1000 and a life exceeding one year are amortized on a straight-line basis over their useful lives.

j) Loans, advances and deposits

Loans, advances and deposits are recorded at cost. When there is a decline in value that is not considered temporary, they are written down to their estimated realizable value.

k) Portfolio investments

Portfolio investments are recorded at cost. When there is a decline in value that is not considered temporary, they are written down to their estimated realizable value.

l) Agricultural land held for sale

Agricultural land held for sale is recorded at the lower of cost and estimated net realizable value, in aggregate.

m) Employee pension and benefit costs

These financial statements do not reflect the cost of benefits that are paid for by the Department of Finance. This includes the employer's share of costs related to the Government's pension plans, Canada Pension Plan, Employment Insurance, Workers' Compensation, and dental and life insurance.

n) Guaranteed debt

Guarantees to repay the debt of others are recorded as an expenditure and a liability when it is likely that the guarantee will be invoked and the amounts can be reasonably estimated.

o) Fair value of financial instruments

Temporary investments, funds on deposit with the GRF, accounts receivable, accrued interest receivable, accounts payable and Due to Government of Canada will be settled within one year. Due to this short-term maturity, the carrying value approximates their fair value.

It is not practicable to determine the fair value of the loans, advances and portfolio investments. An attempt to estimate fair values would not be sufficiently reliable due to the lack of a trading market for these instruments.

4. Funds on deposit with the GRF

Several organizations within the reporting entity have funds on deposit with the GRF. These organizations receive interest from the GRF on a quarterly basis, calculated on their daily balances using the Government's average thirty-day borrowing rate of 5.04% (1998 – 3.77%).

5. Accounts receivable

Accounts receivable includes $16.3 million (1998 - $12.6 million) related to crop insurance premiums and related programs and $14.4 million (1998 – $13.0 million) related to land sales and leases.

6. Loans, advances and deposits

Loans and advances have a maximum term of 25 years and interest rate yields of 0% to 13.5%. Deposits of $0.4 million (1998 - nil) are being held in escrow by a law office for disbursement once certain conditions are met by the recipient.

7. Portfolio investments

	1999	1998
Bonds and debentures	$ 7,347	$ 7,596
Shares	4,552	2,707
Other securities	1,980	1,477
	13,879	11,780
Less provision for losses	(2,758)	(2,678)
Total	$ 11,121	$ 9,102

These investments are not publicly traded and therefore, they do not have quoted market values.

8. Agricultural land held for sale

The estimated net realizable value of the agricultural land held for sale is $223.8 million (1998 - $227.8 million).

9. Employee pension plans

Virtually all employees participate in either the Public Employees Pension Plan (PEPP), a defined contribution plan, or the Public Service Superannuation Plan (PSSP), a defined benefit plan that was closed to new members in 1977.

The pension expenditure pertaining to the PEPP is the amount matching the amounts employees must contribute for current service. This cost is paid from the Department of Finance's appropriation on the Department's behalf.

PSSP is not funded by participating employers. Pension allowances are paid to retired employees from the Department of Finance's appropriation when they become due, on the Department's behalf.

10. Long-term debt

Virtually all long-term debt was borrowed by Agricultural Credit Corporation from the GRF. For some debt issues, sinking funds have been established with the GRF and will be used to retire the debt on a net basis. The following debt is outstanding at the year-end.

Maturity date	Average interest rate	1999	1998
1999	7.90	$ ---	$ 34,657
2000	7.58	611	1,255
2001	11.23	168,600	168,600
2002	15.75	33,000	33,000
2003	15.89	20,434	20,434
2004	11.59	13,517	13,517
		236,162	271,463
Less sinking funds		(141,372)	(145,474)
Less amounts due within one year		(611)	(34,856)
Total		$ 94,179	$ 91,133

The fair value of long-term debt is determined by discounting future required cash flows at current borrowing rates for loans with similar rates and terms. The fair value of the debt is $255,663 (1998 - $298,757). The fair value of the sinking funds is $141,563 (1998 - $145,677).

11. Deferred revenue

Deferred revenue includes $43.6 million (1998 - $11.3 million) received in advance from the Government of Canada for various shared-cost programs.

12. Contingencies

The Department has guaranteed the debts of others totalling $0.8 million.

The Department is defendant to several lawsuits. Provisions for losses, if any, have been recorded based on the advice of its lawyers.

13. Budget

The Department did not prepare a consolidated budget for 1999 that includes all the entities it controls. The Government's Estimates include budget figures for the departmental entity only. In addition, most individual entities prepare budgets for their own operations. For a comparison of budget to actual amounts for entities in the reporting entity, readers should refer to Volume 2 of the Public Accounts or to the individual entities' financial statements.

All financial transactions were carried out within the financial limits authorized by legislation.

14. Internally restricted entities

Several organizations included in these financial statements (see Note 3a) are internally restricted and their resources can only be used to finance their own particular operations or programs. An aggregate summary of the financial position and operating results of these organizations is as follows:

	1999	1998
Assets	$ 307,846	$ 111,876
Investment in a business enterprise	401	288
Liabilities	(117,638)	(15,500)
Net Assets	$ 190,609	$ 96,664
Revenue	$ 196,062	$ 75,223
Expenditure	(99,234)	(45,886)
Income from a business enterprise	113	137
Surplus for the year	$ 96,941	$ 29,474

15. Investment income

Source of investment income:	1999	1998
Loans	$ 22,480	$ 25,830
Temporary investments, funds on deposit with the GRF	13,241	6,248
Portfolio investments	829	952
Total	$ 36,550	$ 33,030

16. Expenditures by object

	1999	1998
Salaries and benefits (personal services)	$ 44,023	$ 41,274
Debt charges	30,653	32,020
Operating costs (supplier payments)	27,122	41,480
Transfers to Government of Canada	70,000	124
Transfers to individuals and organizations	168,114	163,638
Tangible capital asset acquisitions	4,132	3,655
Other	6,191	12,043
Total	$ 350,235	$ 294,234

17. Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Department by virtue of common control or significant influence by the Government of Saskatchewan.

Routine operating transactions with related parties are settled at the standard rates charged by those agencies and are settled on normal trade terms. These transactions and the amounts outstanding at the year-end are as follows:

	1999	1998
Revenue	$ 3,195	$ 5,692
Transfers	7,304	1,471
Expenditures	10,747	18,574
Accounts receivable	471	348
Loans receivable	2,379	2,521
Accounts payable	7,688	8,437
Portfolio investments	365	350

Other transactions and amounts due to or from related parties are disclosed separately in these financial statements and the notes thereto.

The Department receives certain services from other departments without charge including legal, banking, and human resource services. Due to the difficulty in allocating the cost of these services to individual departments, no provision for such costs has been included in these financial statements.

18. Commitments

At year-end, the Department is committed to minimum operating lease payments to SPMC in 2000 totalling $0.9 million. Also, the Department had approved disbursements for research and development purposes as follows.

Year	Total
2000	$ 36,554
2001	14,938
2002	3,417
2003	501
2004	126

19. Trust funds

Trust funds are property held and administered on behalf of others. They do not belong to the Department, therefore, they are not included in the reporting entity. Trust fund balances are as follows:

	1999	1998
Lands Branch Clearing Account	$ 18	$ 3,180
Producers' Trust Fund (Sask Pork)	---	3,819
Total	$ 18	$ 6,999

Health

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Introduction

The Department of Health's mandate is to protect and improve the health of the Saskatchewan people. The Department spent nearly $2 billion in 1999-2000. Health districts spent 70% of that money to deliver health services.

Part A sets out the results of our audits of the Department and its five Crown agencies. The Department needs to improve the way it sets direction for and monitors the performance of health districts. In particular, the Department should approve the annual budgets of health districts before their fiscal year begins. This Part also sets out several financial indicators that legislators could use to monitor the financial sustainability of the health system.

Part B describes the results of our audit of the Department's processes to establish appropriate accountability relationships with health districts for capital construction projects. The Department has adequate processes to establish accountability relationships for capital construction projects with districts, except for the Department's processes to manage risks.

Part C summarizes the results of the financial audits of ten health districts for the year ended March 31, 2000. The districts continue to develop important performance information. However, districts still need to improve the way they set direction and monitor performance, the way they safeguard assets and comply with authorities, and the way they ensure adequate accountability to district residents and the Minister of Health.

Part D reports the results of our audit of the information received by boards of directors of district health boards to help them make financial decisions. Three of the six boards of directors that we examined did not receive adequate information for making financial decisions.

Part E describes the status of our 1996 and 1997 recommendations regarding the practices of health districts for assessing health needs and allocating resources. Most districts have improved their needs assessment and resource allocation processes and almost all districts reported that the recommendations made in 1996 and 1997 are still appropriate and useful.

Health

2A

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Introduction

The Department of Health's mandate is to protect and improve the health of Saskatchewan people. To do this, the Department provides policy direction, direct services and funding to health providers and health agencies.

For the year ended March 31, 2000, the Department received $1.94 billion from the General Revenue Fund and spent this money on its programs. The Department also raised revenue of $12 million. The Department's annual report contains information about the Department's revenues and expenses.

Government spending on health

Table 1 shows total health revenues of $2.148 billion by source. Table 2 shows total health costs of $2.150 billion by program. We obtained the information from the *Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure* (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts) and the March 31, 2000 financial statements of the District Health Boards and other government health agencies. In this Chapter, we refer to all of these organizations together as the "Health System". The costs in Table 2 do not include "Federal Government - Indian and northern health services" costs or what individuals and private sector organizations pay for private health services.

Crown agencies

The Department was responsible for the following Crown agencies with March year-ends:

Board of Governors, Uranium City Hospital
Health Services Utilization and Research Commission
Saskatchewan Cancer Foundation
St. Louis Alcoholism Rehabilitation Centre
Saskatchewan Health Information Network
Thirty-two district health boards (see Chapter 2C - District Health Boards).

Table 1

Health **Revenues** by Source
(in millions of dollars)

	2000	1999	1998	1997	1996*
General Revenue Fund (GRF)	$ 1,942 **	$ 1,789 **	$ 1,677	$ 1,608	$ 1,555
Patient and agency charges	99	97	99	95	94
Ancillary and dietary revenue	18	16	15	15	15
Donations	16	16	15	9	12
Investment income	7	9	9	10	11
Other	66	76	47	59	50
Total revenues	$ 2,148	$ 2,003	$ 1,862	$ 1,796	$ 1,737

** The GRF financial statements do no agree with these amounts. The GRF statements show $13.6 million for retroactive salaries differently for 1999 and 2000.

Table 2

Health **Costs** by Program
(in millions of dollars)

	2000	1999	1998	1997	1996*
Acute Services	$ 763	$ 687	$ 600	$ 581	$ 524
Physician services	397	374	367	337	330
Supportive care services	385	358	332	336	371
Home based services	103	95	92	84	75
Health improvement initiatives	25	25	29	26	79
Emergency response services	25	22	21	21	22
Alcohol and drug services	97	87	74	68	69
Community health services	55	50	44	48	38
Mental health services	55	51	46	42	40
Rehabilitation services	44	39	37	38	36
Other	201	195	198	193	153
Total expenses	$ 2,150	$ 1,983	$ 1,840	$ 1,774	$ 1,737

* Prior to 1996, reliable comparable amounts are not available due to significant changes in the health system such as the formation of the 32 health districts.

Our audit conclusions and findings

In our opinion, for the Department and agencies where we have completed our work, for the year ended March 31, 2000:

- **the financial statements for the agencies listed on page 84 are reliable, except for Saskatchewan Health Information Network reported on pages 103 to 105 in this Chapter;**

- **the Department and its agencies had adequate rules and procedures to safeguard and control its assets, except where we report otherwise in this Chapter[1]; and**
- **the Department and its agencies complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing, except where we report otherwise in this Chapter[1].**

We also include our assessment of the Department's annual report for the year ended March 31, 1999.

We report the results of our audits of District Health Boards in Part C of this Chapter.

Annual report needs improvement

We reviewed the Department's annual report for the year ended March 31, 1999. We reviewed the 1999 report because the Department had not issued its annual report for the year ended March 31, 2000, when we performed our audit work. The annual report should explain the key risks the Department must manage well to succeed. To assess the Department's performance, the Legislative Assembly and the public need to know how the Department is managing its key risks. We have set out what we think are the Department's key risks (see Exhibit 1). For a detailed explanation of the Department's key risks see our 1999 Fall Report – Volume 2 pages 21 to 24.

Exhibit 1

We have identified five key risks facing the Department. The Department needs to:

- identify the public's health needs;
- decide the services required to meet the public's health needs, allocate resources to make those services available, and monitor how those services are delivered and their impact on the health status of Saskatchewan people;

---

[1] We reported on the Board of Governors for the Uranium City Hospital in our 2000 Spring Report pages 156 to 163.

- influence public policy decisions and public attitudes on health to improve the public's health and to help control the cost of the health system;
- have sufficient resources to deliver the required health services; and
- ensure the Legislative Assembly and the public know whether the Department is doing the right things well.

The Department's annual report does not specifically address its key risks or explain the systems and practices it uses to manage these risks.

The annual report should describe the Department's financial plan including performance targets and measures the Department uses to assess the financial performance of the health system. The report shows the Department's annual budget for revenues and expenses, but does not show financial targets and measures to assess the Department's financial performance. To encourage the Department to develop financial targets and measures, we set out on pages 89 to 96 some examples of financial measures the Department might use.

The annual report sets out the Department's operating goals and objectives, but is mainly an "activities" report. It does not state the progress the Department made towards its goals and objectives. Also, it does not set out the Department's performance targets and measures. The Department is working with districts and other health providers to develop measures to monitor the health status of Saskatchewan residents and the effectiveness of health programs. The annual report does not disclose whether the Department complied with all governing authorities.

Also, the report does not make public timely performance information on major capital construction projects (total cost - $45.7 million). As a result, the public does not know whether the construction costs were within planned costs, whether there were any significant changes to the projects, and whether the expected projects benefits were achieved.

In February 2000, the Department issued its first report on performance measures called *Health Services and Outcome Indicators by Population Group: Mothers and Infants*.

Public confidence in the health system is important to the Department's success. While many factors are involved, public confidence will improve if the Department improves the contents and timing of its annual report.

We also reported this matter in previous reports. We recognize that the Department has significantly improved the quality of its annual report. In January 1999, PAC agreed with our recommendations.

1. **We recommend that the Department's annual report describe:**

   - **how the Department manages the key risks it faces;**
   - **the Department's performance indicators, targets and actual results compared to plans;**
   - **what the Department owns and controls; and**
   - **performance information on major capital construction projects.**

First Ministers agree to report on health systems' performance

In September 2000, all First Ministers in Canada prepared a news release communicating to Canadians their vision of health: *Canadians will have publicly funded health services that provide quality health care and that promote the health and well-being of Canadians in a cost-effective and fair manner.*

In this communication, the First Ministers' committed to preparing public reports on their health systems' performance (i.e., health status, health outcomes, and quality of services). Appropriate third parties will verify (provide independent assurance on) these reports.

In the future, we plan to provide independent assurance to the Legislative Assembly on the reliability of the Department's public reports. Providing this assurance will be a challenge for our Office. All legislative auditors across Canada have agreed to work together to develop a process that will enable them to provide assurance that the public reports required by the First Ministers' Agreement are reliable.

We have offered to work with the Department to ensure it has sound public reports and reliable systems to collect information to prepare the reports.

Financial measures for our health system

As described previously, the Department should develop financial targets and measures to help report its progress in achieving its financial targets. To foster this development, we set out below examples of financial measures the Department might use to measure its financial performance.

The Assembly and the public often ask about the state of the Health System's finances. They want to know whether public finances are gaining strength or weakening in the Health System, and why. Also, many want to know where they can obtain the information required to help them make their own assessments.

A sound understanding of the Health System's finances is important to an informed debate about the issues facing the Health System. Those issues pertain to the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure of buildings and equipment.

We derived information on measures from the Government's statistical reports, the *Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure*, and the annual financial statements of health districts and other government health agencies. The information is not adjusted for inflation.

We focus on several financial and economic measures for the years ended March 31, 1995 to March 31, 2000. The measures are modelled after the 1997 Research Report, Indicators of Government Financial Condition, published by The Canadian Institute of Chartered Accountants. Each measure can and should be analyzed in detail, combined with other information, and monitored over time.

The health costs used in these measures do not include Federal Government spending for "Indian and northern health services" or what individuals and private sector organizations pay for private health services.

Readers should be aware that the measures set out below will not provide them with information on trends in the health status of the province's residents or in the effectiveness of health services. The measures pertain only to the financial sustainability of the Health System.

Total health spending as a percentage of the Province's Gross Domestic Product

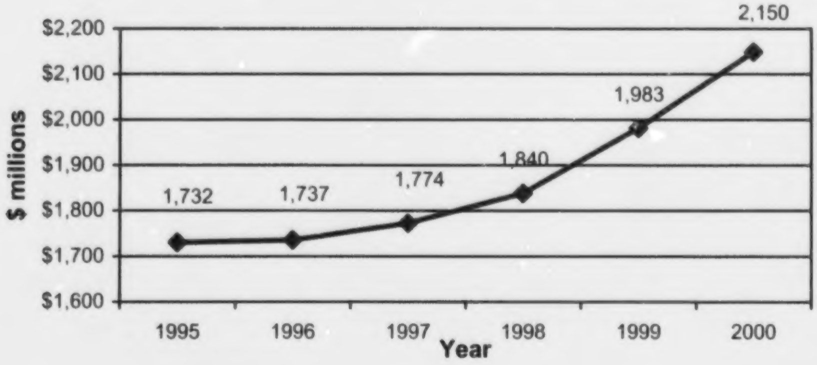
The first performance measure of sustainability involves analyzing the total health spending as a percentage of the Province's gross domestic product (GDP).

The province's GDP is a measure of the value of goods and services produced in Saskatchewan in one year. The GDP reflects the size of the provincial economy. If health spending grows faster than the GDP, the economy may not be able to support that level of health care spending in the long run, unless spending on other government programs is reduced or taxes increased.

During the past six years, health spending has increased by twenty-four percent from $1.732 billion in 1995 to $2.150 billion in 2000 (see graph below). Over the same period, the Province's GDP increased by twenty percent from $24.6 billion in 1995 to $29.5 billion in 2000 (see our 2000 Fall Report – Volume 1).

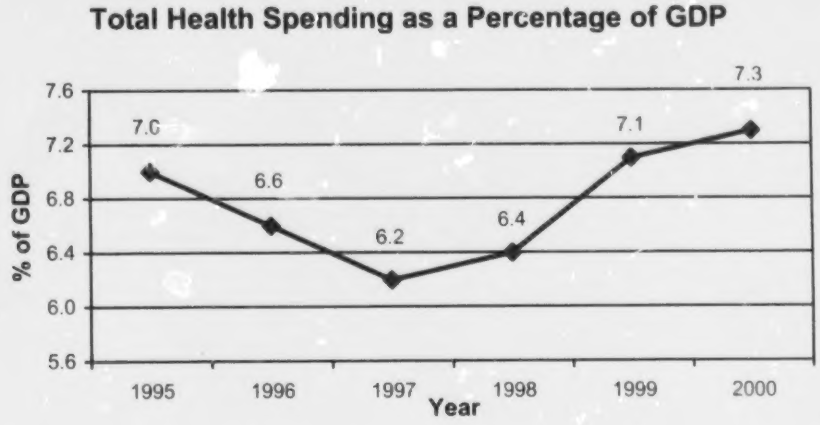
Graph 1

The Government's Total Health Spending



The following graph shows the trend in the total health spending as a percentage of the provincial GDP from 1995 to 2000. By comparing the total health spending to the Province's GDP, the financial demands placed on the economy by health spending can be assessed.

Graph 2



This comparison shows that from 1995 to 1997, health spending declined as a percentage of GDP, but since 1997, health spending is increasing as a percentage of GDP. If the upward trend since 1998 continues into the future, this would suggest a decrease in sustainability because health care spending will be placing more demand on the economy.

Total Government health spending as a percentage of the Government's total spending

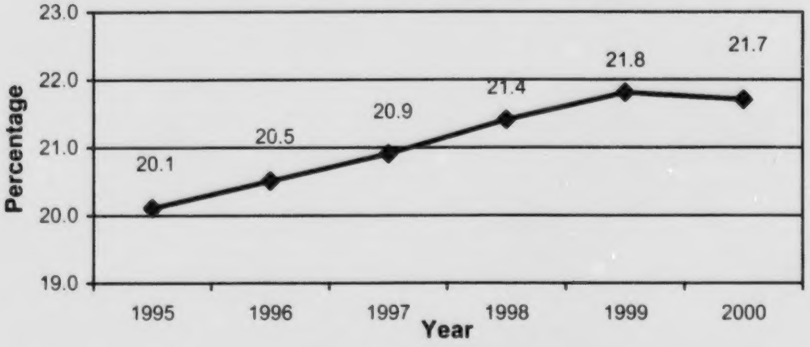
The second performance measure of sustainability involves analyzing the total Government health spending as a percentage of the Government's total spending.

This measure shows the impact that health spending has on the spending to deliver other government programs. The ability to spend a greater percentage on health each year may not be sustainable because of the need to provide other necessary government services.

The following graph shows the trend in the Government's health spending as a percentage of the Government's total spending from 1995 to 2000. By comparing health spending to the Government's total spending, the financial demands placed on the Government by health spending can be assessed.

Graph 3

Total Health Spending as a Percentage of the Government's Total Spending



This comparison shows that from 1995 to 2000, health spending has increased only slightly from 20.1 to 21.7 percent of the Government's total spending. The slight upward trend in this graph might suggest a small decrease in sustainability due to more demands for health care spending being placed on the Government's total spending.

Change in health spending compared to change in the Consumer Price Index (CPI) and the Province's GDP

A third performance measure of sustainability involves analyzing the change in health spending compared to the change in the Consumer Price Index (CPI) and the GDP.

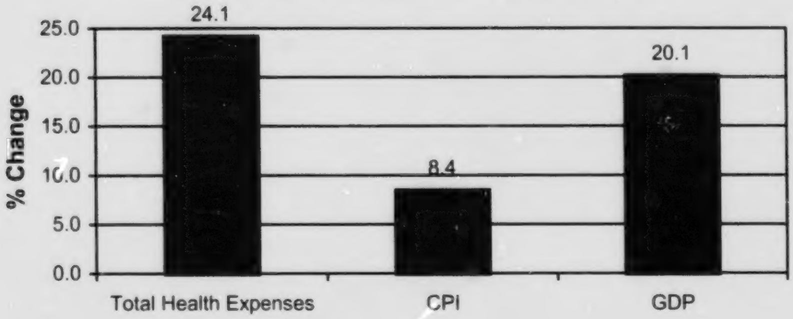
Comparing the change in health spending to the change in the CPI indicates whether health spending has kept pace with inflation. If spending increases keep pace with increases to the CPI, the health system is likely to be able to continue providing current levels of programs and services. If health spending increases are significantly lower than increases in CPI, current health programs may be at risk. If health spending increases are higher than CPI, this could indicate an unsustainable trend.

Comparing the change in health spending to the change in GDP shows the rate that health spending changed to the rate that the provincial economy changed. If health spending increases are higher than the growth of the provincial economy, this could indicate an unsustainable trend.

The following graph shows total health spending grew faster than the CPI and the rate of our provincial economy. If this trend continues the Government's ability to meet program and service commitments may be weakened.

Graph 4

Total Health Spending Compared to CPI and GDP - Percentage Increase from 1995 to 2000



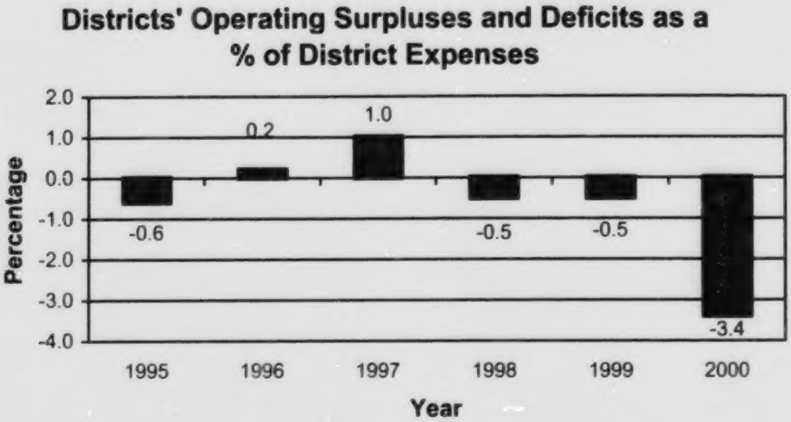
Districts' operating surpluses and deficits as a percentage of total district spending

A fourth performance measure of sustainability involves analyzing the districts' annual operating surplus or deficit as a percentage of total district spending.

The annual operating surplus or deficit shows the extent to which the districts have more operating revenue than operating expenses in a fiscal year. Districts that are able to run operating surpluses are better able to sustain their capacity to maintain their programs over the long term.

The following graph shows at March 31, 1995 the districts had total operating deficits of $5.8 million or 0.6% of total spending. By 1997, the districts had a total surplus of $12 million (1.0% of total spending), but that upward trend has reversed itself in the last three years as there have been deficits each year. In 2000, districts had total operating deficits of $47.5 million (3.4% of spending). While it would be preferable if the districts were in a surplus position, a deficit of $47.5 million is not significant given that Districts spend over $1.4 billion each year. However, this emerging trend of deficits may be unsustainable if they continue to increase.

Graph 5



Districts' working capital ratio

The fifth performance measure of sustainability involves analyzing the districts' working capital ratio.

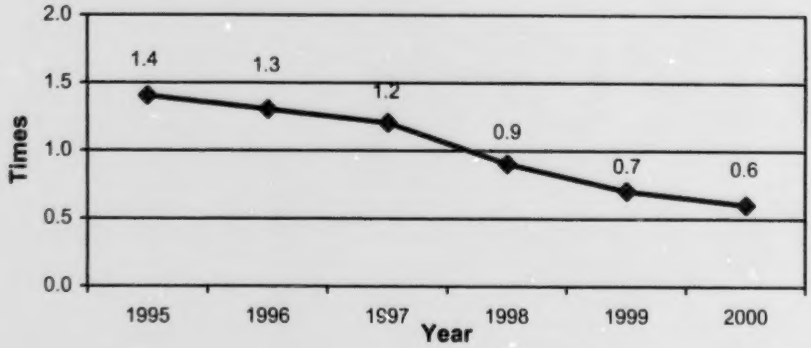
Working capital ratio is calculated by dividing current assets by current liabilities. This ratio represents the districts' ability to use current assets to cover current liabilities. Declines in current assets compared to current liabilities may impair a district's ability to pay salaries and other costs to maintain programs and services.

We have adjusted district current assets for restricted funds because they are not readily available for districts' use.

The following graph shows a trend in the districts' working capital ratio from 1995 to 2000. The ratio reflects the number of times that current assets exceed current liabilities. At March 31, 1995 the districts had an average adjusted working capital ratio of 1.4 (i.e., districts had 1.4 times more current assets than current liabilities). In 2000, the average working capital ratio fell to 0.6. This means that current liabilities exceed current assets which is impairing the districts ability to pay salaries and other costs to maintain programs and services. Therefore, if the downward trend continues, more districts may experience problems in meeting their current financial obligations to other businesses or employees and they also may be unable to maintain existing programs and services.

Graph 6

Districts' Working Capital Ratio



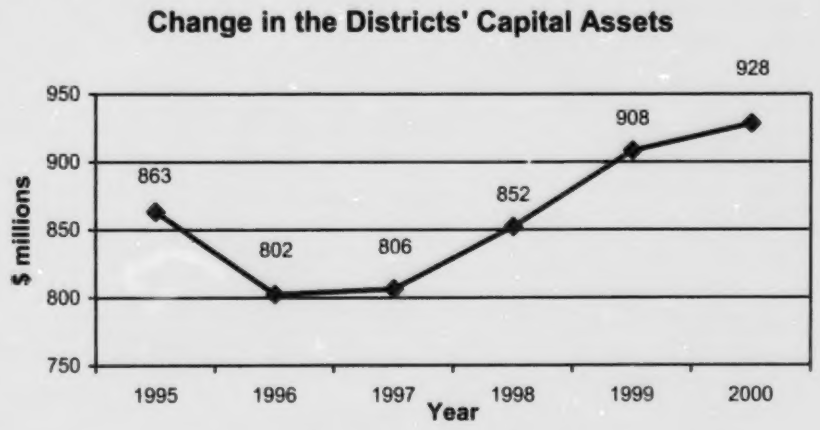
Change in the districts' capital assets

The final performance measure of sustainability involves analyzing changes in capital assets owned by districts.

Districts own most of the capital assets in the health system. Capital assets are resources such as property, buildings, and equipment that are used to deliver health services. Capital assets must be properly maintained or replaced, otherwise they lose their productive capacity. For example, if necessary building repairs, renovations, or replacement are delayed, the ultimate costs may be unsustainable. Districts, like other organizations, must maintain and replace their capital assets. Otherwise, they face potential future costs to repair, renovate or replace these assets that may impair their ability to deliver needed services.

The following graph shows a trend in changes in capital assets owned by districts. During 1995 to 1996, capital assets declined from $863 million to $802 million and then increased to $928 million by 2000. If the upward trend continues this could indicate improvement in the sustainability of the Department's services.

Graph 7



Summary on financial measures

We hope the above analysis will promote discussion and debate on the state of our Health System's finances. We also hope this analysis will encourage the Department to begin reporting on the financial targets and the measures it uses to assess its financial performance.

Service agreements with district health boards need improvement

The Department needs to improve its service agreements with district health boards.

The Department carries out many of its responsibilities through districts. Therefore, the Department needs service agreements with districts to ensure that the delivery of health care by districts achieves the Department's objectives.

The service agreements are adequate, except they do not require the districts to report periodically their assessments of the control they have established to achieve the Department's financial, operational and compliance objectives. Control comprises those elements of a district (including its resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of the district's objectives. To meet its responsibilities, the Department must know that the districts have systems, processes and other control elements to ensure the proper use of public money entrusted to the districts.

We also reported this matter in previous reports. In January 1999, the Standing Committee on Public Accounts (PAC) agreed with the following recommendation.

We continue to recommend that the Department work with health districts to ensure service agreements require districts to report periodically on the systems and practices they use to achieve the Department's financial, operational and compliance with authority objectives.

Service agreement needed

The Department carries out some of its responsibilities through related parties. The Department needs a service agreement with Canadian Blood Services to ensure that it achieves the Department's objectives.

Canadian Blood Services (CBS), a not-for-profit organization, was incorporated in 1998 under *The Canada Corporations Act*. Its members are the provincial and territorial health ministers, except Quebec. The 13 member Board of Directors consists of the Chairperson, four regional appointees, six providing business, scientific, medical, technical or public health expertise and two from the general public representing consumers.

CBS owns and operates the national blood supply system except for Quebec. Its activities include recruiting blood donors, collecting blood and blood products, testing and laboratory work, processing, storage, distribution and inventory management, quality control, and the purchase and distribution of commercial blood products. The blood and blood products are distributed to hospitals across Canada.

The Department must ensure safe blood products are provided to the citizens of Saskatchewan. The Department is also responsible for ensuring the blood supply system, as an integral component of the national health care delivery systems, is effective. Therefore, the Department must ensure the delivery of blood products by CBS achieve the Department's objectives.

The CBS members provided start-up contributions to CBS as well as annual contributions to pay for the operation of the blood supply system. For the year ended March 31, 2000 the Department provided CBS with $22.8 million (1999 - $18.2 million). The Department has not made a service agreement with CBS to ensure it achieves the Department's objectives.

The service agreement with CBS should:

- describe the authority and responsibility of the Department and CBS;
- describe the financial, operational and compliance objectives needed to manage the delivery of Saskatchewan's blood supply through CBS successfully. The agreement should require CBS to carry out its work to meet those objectives;
- describe the services to be provided;
- describe the basis for paying for those services;
- ensure the Department receives accountability reports from CBS, including reports showing planned and actual results, compliance with legislative and related authorities, and how well CBS met the Department's objectives;
- require CBS to periodically report its assessments of the control it has established to achieve the Department's objectives; and
- allow the Department access to CBS's records and personnel to verify its reports, or to verify the reports using CBS's independent auditors.

The lack of a service agreement could result in inappropriate use of public money entrusted to Canadian Blood Services.

2. **We recommend that the Department make a service agreement with Canadian Blood Services to ensure it achieves the Department's objectives.**

The Department told us that it has limited ability to influence CBS to sign a service agreement since the Department contributes only a small portion of CBS's total revenue.

Department needs to approve district plans on time

The Department should approve the districts' annual health plans (total expenses $1.4 billion) before their fiscal year begins (April 1).

Each year, the Department requires districts to prepare health plans outlining their financial and operational plans. The districts prepare these plans in consultation with the Department. The Department uses these plans to establish the districts' expected financial and operational performance.

The Health Districts Act requires the districts to submit their annual health plans to the Department for approval. The Department asked the districts to submit their health plans for the year April 1, 1999 to March 31, 2000 by April 30, 1999, later extended to September 15, 1999. We think the Department should receive and approve the health plans before the year begins. Twelve of the thirty-two districts failed to file their plans by the extended date.

The Department did not review the district health plans for 1999-2000 until October or November and did not communicate approval to most districts until January or February 2000, almost at the end of the fiscal year rather than at the beginning.

While the Department regularly discusses health plans with the districts, timely approval of the plans is important to ensure that the Department and the districts have a common understanding of annual and long-term priorities and goals. Making decisions without a common understanding of priorities and goals may result in the Department and the districts making inappropriate decisions.

We also reported this matter in previous reports. In January 1999, PAC agreed with our recommendation and recommended that the Department should, to the best of its ability, provide the districts with an indication of their funding levels for the next two or three years. Currently, the Department has not done this.

We continue to recommend that the Department approve the health districts' annual health plans before their fiscal year begins (April 1).

Districts have prepared strategic plans for the three years ending March 31, 2002. These plans set out the districts' long-term financial and operational objectives. These three-year plans should help the Department to approve the Districts' annual plans before the beginning of each year.

Department needs better reports from Districts

The Department needs complete and timely information to ensure the proper use of public money (total expenses $1.4 billion) entrusted to the districts.

Several districts did not submit their quarterly financial reports to the Department on time. In addition, district annual reports do not adequately show program performance compared to plan.
The Department requires districts to report quarterly on their financial results compared to their plans. The Department also requires districts to report on their program performance compared to their plans in their annual reports. The Department has issued guidelines to help districts prepare their annual reports.

Several districts did not prepare the required quarterly financial reports on time. We note, however, that the districts have significantly improved the timing and quality of their quarterly financial reports.

In addition, the districts' annual reports do not adequately report on program performance compared to planned performance. Many reports do not set targets and measures for desired program and service outcomes, and do not show actual outcomes. As a result, the annual reports are not as effective as they could be in enabling the Department to assess the effectiveness of the districts' services on the health status of residents.

We also reported this matter in previous reports. In January 1999, PAC agreed with our recommendation. We continue to recommend that the Department work with health districts to ensure they submit complete and timely performance reports.

Department needs to improve its capital project agreements

The Department should improve its capital project agreements (total costs - $45.7 million) with districts to help ensure the Department can meet its objectives for capital construction.

The Department makes capital project agreements with districts to construct or renovate health facilities. The agreements need to set out the performance information the Department needs on construction projects. Agreements should require districts to provide timely reports to the Department on:

- where the construction project is at the date of the report (actual compared to plan for requirements, cost, work completed; and explanations of differences between planned and actual results);
- what has been accomplished since the last reporting period (actual compared to plan for cost and work completed, and explanations of differences between planned and actual results);
- the estimated time and cost to complete the construction project;
- the status of the expected benefits, whether the benefits are still achievable, and if not, the effects, if any, on the project plan; and
- the status of the construction project's risks, new risks, and how the risks are being managed. Reports would include explanations of any change in the status of key risks from the last reporting period and the reasons for the change in status.

Without this performance information, the Department cannot ensure that capital projects managed by districts meet the Department's objectives.

As well, the agreements need to set out a process for the Department to verify that the districts' performance information is reliable.

3. **We recommend that the Department's capital construction agreements:**

- **require health districts to provide the Department with adequate and timely performance information on capital construction projects; and**

- **describe the Department's process for verifying performance information.**

Policies needed for the Department's internal financial reporting

The Department needs clear written policies and procedures for preparing sound internal financial reports.

The Department needs timely, complete and accurate financial reports throughout the year to help it make sound decisions. Adequate guidance would increase the likelihood of reliable internal reports. Reliable reports should result in better management decisions.
The Deputy Minister should approve the internal financial reporting policies and procedures to ensure senior management receives the information they need to manage the Department.

We reported this matter in previous reports. In January 1999, PAC agreed with the following recommendation.

We continue to recommend that:

- the Department document policies and procedures to prepare sound internal financial reports; and

- the Deputy Minister approves the Department's internal reporting policies and procedures.

Management is drafting an Expenditure Forecast Policy and Procedure Manual. The manual is not yet complete.

Payee list required

The Department of Health did not identify the persons who received payments made through the Saskatchewan Prescription Drug Plan, and the amounts received, as recommended by PAC.

The Department made payments to pharmacies of $85.2 million on behalf of eligible recipients and $271,261 directly to eligible recipients.

In March 1993, PAC recommended: "All government departments, agencies, and Crown Corporations reporting to Treasury Board should provide a list of persons who have received money."

The Department thinks it should not have to disclose this information because it thinks the information should be confidential. The Assembly has allowed some exceptions to disclosing payees such as payments to doctors. Executive Council, Chapter 14 of this Report, provides further discussion of this important issue.

We also reported this matter in previous years. In its Second Report to the 2nd Session of the 23rd Legislature, PAC recommended that the Department further review the issue of disclosure of persons who receive money from the Saskatchewan Prescription Drug Plan and report back to PAC on the implication of adopting the Provincial Auditor's recommendation.

We continue to recommend that the Department provide the Legislative Assembly with a list of persons who received money from the Saskatchewan Prescription Drug Plan and the amounts.

Saskatchewan Health Information Network

The Saskatchewan Health Information Network (the Corporation) was established as a Treasury Board Crown Corporation by Order in Council 581/1997 under the provisions of *The Crown Corporations Act, 1993* (Act) effective August 19, 1997.

The Corporation was created to design, implement, own, operate, and manage the Saskatchewan Health Information Network (SHIN). Development of the Corporation's main initiative, the SHIN (computer systems) commenced after the project received Cabinet approval on June 30, 1997.

The Corporation receives money from Saskatchewan Health to acquire and develop capital assets and to operate these assets.

The Corporation's financial statements for the year ended March 31, 2000 report revenues of $10.2 million (1999 - $5.6 million), a deficit for the year of $0.9 million (1999 - $10.5 million), an accumulated surplus (i.e., net financial assets) of $2 million (1999 - $2.8 million), and net tangible capital assets of $15.4 million (1999 - $12.5 million).

As explained below, the Corporation's 2000 financial statements are misstated. The financial statements understate the Corporation's liabilities and overstate its accumulated surplus by $1.4 million (1999 - $3.8 million). Also, the statements understate the Corporation's revenues and overstate its deficit by $2.4 million (1999 – $9.4 million).

Our audit conclusion and findings

Our Office formed the following opinions.

In our opinion:

- **the Corporation's 2000 financial statements are not reliable for the reasons we report below;**
- **the Corporation complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing; and**
- **the Corporation had adequate rules and procedures to safeguard and control its assets.**

Reliability of financial statements

As stated earlier, the Corporation receives money from Saskatchewan Health. It is clear how the Corporation is to spend this money. In 1997, Cabinet announced it was committing $40 million dollars for the initial development of SHIN. On March 11, 1998, Order in Council 161/1998 authorized the Corporation to spend up to a maximum of $38 million for the development and acquisition of capital assets (e.g., computers, computer programs) related to SHIN.

The Corporation received the following amounts from Saskatchewan Health to develop and implement SHIN: $20 million in 1998; $5 million in

1999; and $9.6 million in 2000. The Corporation recorded this money as revenue when it was received even though it had not spent some of the money. For example, it only spent $7.1 million in 1998 and at March 31, 2000 it had yet to spend $1.4 million.

In our opinion, recording money received for a specific purpose as revenue before incurring the related costs does not meet recent accounting recommendations of The Canadian Institute of Chartered Accountants (CICA).

The money the Corporation receives to develop and acquire capital assets must be used for that purpose. Therefore, the Corporation should only record this money as revenue when the Corporation incurs those related costs. When the Corporation receives money in advance of it developing and acquiring the related capital assets, it should record the money as deferred revenue (i.e., a liability due to Saskatchewan Health).

As a result, it is our opinion the Corporation's financial statements for the year ended March 31, 2000 understate its liabilities and overstate its accumulated surplus by $1.4 million (1999 - $3.8 million). Also, the financial statements understate the Corporation's revenues and overstate its deficit by $2.4 million (1999 – $9.4 million).

4. **We recommend the Corporation record the money received from Saskatchewan Health for the acquisition of capital assets as a debt until the Corporation acquires the related assets.**

5. **We recommend the Corporation amend its 2000 financial statements and table the revised financial statements in the Legislative Assembly.**

The Corporation believes its financial statements are in accordance with the recommendations of the CICA's Public Sector Accounting Recommendations which require grants to be recognized as revenue in the year they are provided, as long as the transfer is authorized, eligibility criteria, if any are met, and the amount can be estimated. The Corporation believes that all three of these conditions have been satisfied with the respect to the grants received from Saskatchewan Health.

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Accountability for capital construction

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Introduction

The health system in Saskatchewan has capital assets of more than $900 million. *The Health Districts Act* makes health districts responsible to operate, maintain and replace capital assets to provide health services.

This report focuses on accountability for capital construction in health districts. "Capital construction" refers to projects that build new health facilities, renovate or expand current facilities or replace key components of current facilities (e.g., replace a roof).

The Department contributed $45.7 million to capital construction projects in the fiscal year ending March 31, 2000. The Department finances up to 65% of the cost of each capital construction project in health districts. The districts requesting capital construction projects usually finance the remaining 35% of the cost. The Department pays a larger proportion when projects are located in isolated northern communities or when projects relate to province-wide health services.

For the year ending March 31, 2000, the Department received over 70 requests for financial assistance to carry out capital construction projects in health districts. After assessing the requests and the resources available, the Department approved 25 capital construction requests. Some of these projects extend over more than one year.

The Department told us that the present demand for capital construction is primarily the result of four trends:

- changes in service delivery patterns;
- the normal ageing of health facilities and other infrastructure;
- a commitment to achieve efficiencies; and
- the impact of technology on the space required to deliver services.

The Department and the health districts are both accountable for the success of capital construction projects in the districts. Accountability relationships are built on a clear understanding of what level of authority and responsibility is delegated and for what purpose.

When accountability is shared, all participants need to know their roles and carry them out consistently. When accountability is not clear, there is increased risk that objectives will not be met, spending will be greater than planned or projects will not be completed on time. This report describes our findings about establishing accountability for approved capital construction projects in health districts.

Our audit objective and criteria

The objective of this audit was to assess whether the Department had adequate processes to establish appropriate accountability relationships with health districts for capital construction projects during April 1, 1999 to June 30, 2000. We focused on how the Department ensured its expectations for accountability were clear to districts.

Our criteria set out what we looked for when we examined the processes the Department used to establish accountability for capital construction projects. We based our criteria on construction industry standards, related literature and the reports of other auditors (see Selected References). The Department agreed the criteria were reasonable.

To establish appropriate accountability relationships with health districts for capital construction projects, the Department should:

- identify clearly the project to be completed;
- communicate clear authority and responsibility for health districts and for the Department; and
- set out a plan to manage risks.

Our audit approach and summary findings

We examined seven capital construction projects underway during April 1, 1999 to June 30, 2000. The seven projects varied in size and were at different stages of completion during this examination period.

During our audit, we examined relevant directives from the Department to health districts about accountability for capital construction. We assessed policies, manuals and publications that guide accountability for capital construction projects. We also examined agreements, reports and formal letters describing district and Department responsibilities for capital construction. We interviewed selected officials as necessary.

Throughout our audit, we followed *The Standards for Assurance Engagements* established by the Canadian Institute of Chartered Accountants.

Conclusion and recommendation

We found that during April 1, 1999 to June 30, 2000, the Department had adequate processes to establish accountability relationships for capital construction projects with districts, except for its plan to manage risks.

The Department had not established key processes to identify or monitor risks, and had not set out a plan to manage risks.

1. **We recommend the Department establish and communicate a plan to manage risks for capital construction projects.**

   The Department's plan to manage risks should clarify the accountability of the Department and health districts to:

   - **identify, assess, and monitor risks; and**
   - **act to reduce risks.**

The Department told us it is revising its processes for establishing expectations for capital construction. We will monitor how it implements its proposed changes when we conduct our follow-up procedures for this audit.

Accountability relationships for capital construction

In this section, we describe what we expected (in italics) and our significant findings for each of our criteria. Our findings include the Department's key steps to establish accountability relationships for capital construction projects in health districts during April 1999 to June 2000.

Identify clearly the project to be completed

Accountability relationships are built on a clear understanding of what level of authority and responsibility is delegated and for what purpose. To safeguard public money used for capital construction projects in health districts, we expected that the Department would have processes to:

- *identify the nature of the project it is agreeing to fund including any known complications or risks;*
- *specify project objectives including the project's anticipated benefits, service capacity, standards and the time frame for completing major project milestones; and*
- *establish the total cost and funding for the project.*

Project descriptions

The Department uses the *Planning Guide for Saskatchewan Health Districts - Part III Facilities Planning* (hereafter referred to as the Facilities Planning Guide) to describe accountability for capital construction. One part of the Facilities Planning Guide requires districts to describe the capital projects that the districts recommend as priorities.

Suggestions for how to describe the project appear in the outline for a Project Brief in the Facilities Planning Guide. In the Project Brief outline, the Department asks the health districts to specify the program requirements, project history, schedule (target dates), project cost, sources of funding, cash flow and any "constraints" that may effect the project.

For five of the seven construction projects that we examined, the districts provided Project Briefs to the Department for its assessment and evaluation. For two projects, the Department did not have Project Briefs describing the projects. The Department initiated these two projects with the Federal Government. The Department signed agreements with the Federal Government for these two projects without clearly documenting the expected nature of each project and its objectives. The Department told us that it is working with the involved districts and First Nations bands to determine the scope of these projects.

Project objectives

We expected the Department to clearly establish its expected outcome objectives for capital projects in written agreements. When the Department agreed that a capital project was a priority, the district received a formal letter stating the Minister granted "approval-in-principle" to proceed with detailed planning. This detailed planning was to result in a functional program, schematic design, estimated total capital costs and operational costs, a financial plan, an estimated project schedule and a cash flow schedule.

For five of the seven construction projects that we examined, the approval-in-principle letters stated the nature of the project. That is, the letters stated whether the project would replace an ageing facility; renovate or expand an existing facility; or build a new integrated service centre. The approval-in-principle letters did not identify the projects' estimated costs, anticipated benefits or risks. The functional program and schematic design are not yet developed at this stage so objectives, cost-estimates and milestones are tentative.

For the other two capital construction projects that we examined, the Department did not have formal approval-in-principle letters. As discussed earlier, the Department initiated these two projects with the Federal Government.

Another major process the Department used to establish accountability was the use of standardized Capital Project Agreements (Agreements). The Department told us that the primary purpose of these Agreements was to authorize the periodic disbursement of money to health districts for capital construction. The Agreements also named the projects and required the districts to meet standards and laws that guide the construction of health facilities.

In the health district projects we examined, we found that the Agreements stated the estimated *total* project costs. The Agreement did not state the time frame for the completion of the *total* project unless it was the last Agreement before completion of the total project. The date in the Agreement referred to the completion of the work described in the attached Schedule A. Schedule A varied with each Agreement within a project.

None of the Agreements clearly described the objectives, benefits or risks of the total construction projects. The project Agreements (Schedule A) did not consistently state which project milestones (e.g., prepare site, construct major elements, landscape) the districts should complete during the period of the Agreement.

For two projects, the Agreements set out the project milestones to be achieved. For the other five projects, the Agreements described the work to be achieved in various ways. Agreements signed early in the project were more likely to list the milestones to be accomplished during the period of the Agreement. A few Agreements stated the funding was provided "for the work completed" in a specific time frame but did not specify what work was to be done. In cases where it was the last Agreement signed for a project, the Agreement listed all the major project milestones common to all construction projects, but did not say which milestones remained to be done.

The Capital Project Agreement is the primary accountability document the Department used to commit public money to a capital project. The Agreement was also used to track approved changes to the project. These Agreements are in effect throughout the project.

The Agreements should clearly identify each project's objectives, benefits and risks. The Agreements should also state the expected time frame for the completion of the total project and the major milestones to be achieved during the period of the Agreement. Without clarity in these Agreements, there is greater possibility the Department or health districts could inadvertently make changes that reduce the overall benefit of the project or increase risks.

Total cost and annual funding arrangements

Schedule B of the Capital Project Agreements described the total project cost and specific arrangements to pay for total costs. All the Agreements also set out in Schedule B the amounts to be paid by the district and by the Department during the period of the Agreement.

The Department and districts signed new Agreements with new amounts to be paid as the project progressed. The Department used the Agreement to authorize the disbursement of money for capital projects.

Communicate clear authority and responsibility

Clear accountability requires that both the Department and health districts understand when they must work together and when they may act independently on capital construction projects. To promote the success of capital construction projects, we expected that the Department would communicate clear authority and responsibility for capital construction.

We anticipated the Department would:

- *describe the authority/responsibilities of health district boards:*
  - *(a) to recommend capital construction projects that the community will support financially,*
  - *(b) to employ a capable project manager to monitor and guide the project within the board's approved objectives and costs,*
  - *(c) to communicate with the public about the project;*
- *describe the role of the Department:*
  - *(a) to approve projects within available resources,*
  - *(b) to monitor projects so as to assess and act on risks, and*
  - *(c) to keep the Minister informed.*

Health district authority and responsibility

The Health Districts Act (sections 26 and 28) gives the districts the power to construct, operate and manage facilities. Health districts carry specific authority and responsibility for capital construction projects. The Department described these responsibilities in the Facilities Planning Guide. The Facilities Planning Guide and other documents communicated clearly that districts have authority to (a) identify priority construction projects for which there is community financial support and (b) employ a project manager or consultant to co-ordinate capital construction projects.

The Department clearly communicated that districts must obtain money to help pay for capital construction projects. The Department sometimes used the Minister's "approval-in-principle" letter to remind districts about this responsibility. The Capital Project Agreement specified how the district and the Department would share the cost of the capital construction project. The Department did not require written confirmation of the source of the districts' share of this money.

Five capital construction projects had approval-in-principle letters. In three of these approval-in-principle letters, the Minister asked the district for evidence of the district's financial contribution to the project. Only one of these three districts provided written, third-party confirmation from the municipality that agreed to help pay for the capital construction project.

The Department did not clearly communicate its expectations regarding accountability for project management. Most districts employed a project manager to co-ordinate and monitor the construction project. Project managers act as a liaison between the project, the district and the Department. The project manager 's role is critical to the successful completion of capital projects.

The Department's Capital Management Plan Guidelines provided general advice about the role of project managers. The Department did not provide clear, written guidance about the qualifications and competencies a project manager should have. Four of the districts we examined selected a project manager either without a selection committee or without consulting the Department. We think the Department should clearly set out accountability for project management. In particular, it should identify minimum qualifications and competencies for project managers.

The Department set out the accountability of districts to consult with the public during the planning stage of capital construction projects. In the Facilities Planning Guide, the Department described the role of districts to consult with the community about their priorities for facility construction and renovation.

Department role

We found the Department clearly communicated in the Facilities Planning Guide the Department's role to select and approve capital construction projects. In the Capital Project Agreement, the Department told the districts that changes in approved projects must be authorized by both the Department and the health district boards.

We found the Department had not clearly communicated its role to monitor progress and manage risk. The Agreement required progress reports from the health districts "in a form acceptable to the Minister" but did not specify a format to monitor progress. In addition, the Department did not communicate how it would manage risks. For example, the Department could state it will adjust its involvement in a project based on its assessment of risks. The districts did not receive formal notice that the Department planned to provide the Minister with detailed reports on the progress of construction projects and associated risks.

Set out a plan to manage risks

We expected the Department to set out for health districts and for the Minister, its plan to manage risks related to capital construction in health districts. We expected that the Department would:

- *establish processes to identify and monitor risks including setting detailed expectations for progress reports;*
- *establish processes to amend original project objectives, total costs and time frames; and*
- *establish a post-construction follow-up process.*

Identify and monitor risk

All capital construction projects have risks. Anything that could prevent a project from achieving its outcome objectives is a risk. For example, risks may be related to the district's location, access to appropriate materials and manpower, inflationary costs resulting from delays, or to inadequate project design. The Department did not clearly require districts to identify the risks associated with each capital construction project. In the seven projects we examined, we found districts did not consistently report the risks associated with their capital construction projects.

The Department does not have adequate processes to manage risks. To manage risk, the Department reviewed minutes and other reports on the projects' progress. The Capital Project Agreements required districts to submit reports "on request." For example, the Agreement required districts to submit "current and accurate descriptions of the project scope, costs and project schedules" as well as "progress reports signed by the architect."

The Department did not give districts specific guidance about the frequency or content of these progress reports. The Agreements did not require districts to explain differences between the planned costs and construction schedule and the actual situation, or to describe actions the districts had taken to avoid anticipated problems. The Department did not use the Agreements to clarify who is accountable to monitor progress and manage risks that could cause the project to be unsuccessful.

One way the Department identified and monitored risk was through districts' applications for money for capital projects. The Department suggested that districts use a standard format to apply for money to pay for approved projects. The format requested very little information about the stage of construction (e.g., "40% complete") and did not ask districts to identify project risks.

It is important that the Department ensures it receives appropriate and timely information to help it monitor the progress of capital construction projects. Progress reports and applications for money should help the Department and the health districts to assess developing risks and take remedial action when necessary.

The Department did not have a process to verify the progress reports it received. For example, it did not monitor whether or not reports were signed by the architect to show that the reports accurately reflected the progress of construction. Unless the Department verifies that the projects are proceeding on plan and within budget, it cannot assess the risk that the projects will exceed planned costs or be completed late.

The Department's review of progress reports should enable it to identify new risks and verify or gain current insight into identified risks. If the Department had strong processes to identify, assess and monitor risks, it would be in a better position to help districts to act to reduce risks. This would improve the opportunity to complete capital construction projects on time, within budget and within the project's intended outcome objectives.

Changes to the project

The Capital Project Agreement states that both the district and the Department must approve changes to the original project. Districts may ask the Department to change the project size, the completion date, the total cost, or any other aspect of the project. We found that when the district and the Department approved changes to the project, these changes became amendments to the Agreement.

The Department's correspondence shows it did not intend to pay for changes to approved capital construction projects. However, the Department's processes did not reduce the risks associated with changes to approved projects. For example, the Department did not have processes to document clear outcome objectives, benefits and risks of construction projects. The Department did not routinely determine whether districts had sufficient money to pay for changes to their projects.

Post-construction follow-up

The Facilities Planning Guide stated that the Department has a follow-up evaluation process. This process was intended to take place after construction was complete.

The Department did not follow-up on construction projects to assess outcomes and document lessons learned. The follow-up process described in the facilities Planning Guide was not used.

Unless the Department evaluates completed projects and documents the results, it cannot use the lessons learned from past projects to improve the management of future projects.

Summary

The Department is responsible to choose the right capital construction projects, in the right place, and at the right time. It must also ensure adequate processes are established for appropriate accountability relationships with health districts for these construction projects.

We found that the Department had adequate processes to identify capital construction projects and communicate authority and responsibility to the health districts. The Department did not establish adequate processes for appropriate accountability to manage risks. In the area of planning to manage risk, the Department can improve the way it sets out expected project benefits and risks, assesses and communicates risks and monitors significant risks.

Department's response

The Department made the following response to the audit:

> We appreciate the Provincial Auditor's work in this area. We are pleased to note that in general, the auditor has found that the Department has adequate processes to establish accountability relationships for capital construction projects with districts. We agree with the auditor that the processes we have in place to manage risks require strengthening.
>
> The Department is currently in the process of strengthening its processes relating to the management and monitoring of capital construction projects. The Department will be taking the results of the Provincial Auditor's audit into account as it revises these processes.

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District Health Boards

2C

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Glossary

Goal – general statements of desired ends to be achieved over an unspecified period of time.

Health need – the capacity to benefit from health care interventions whether to protect, improve or restore health status.

Objective – measurable, time-defined ends or results to be achieved that lead to the achievement of each goal.

Outcome – consequence or end result of activities.

Performance measure – a factor chosen to monitor success in achieving objectives.

Performance target – targets are quantifiable estimates of results that are expected over a specific time period.

Restricted fund – funds that are subject to certain restrictions and are not available to a district for general use.

Introduction

The Government created 32 health districts under *The Health Districts Act* (Act). The Act requires the districts to deliver health services. Their responsibilities include:

- assessing the health needs of persons to whom they provide services;
- planning, managing, delivering and integrating the provision of health services;
- promoting health and wellness; and
- reporting publicly on the health status of the districts' residents and the effectiveness of the districts' programs.

Financial summary

We obtained the following financial information from the audited financial statements of the 32 districts. The combined revenue and expenses of the districts for the years ended March 31, 2000 and 1999 are:

	Operating Fund	Capital Fund	Restricted Fund	Total 2000	Total 1999
			(in thousands of dollars)		
Revenue	$ 1,360,283	$ 122,093	$ 2,354	$ 1,484,730	$ 1,368,268
Expense	1,407,805	94,286	768	1,502,859	1,376,342
Surplus (Deficit)	(47,522)	27,807	1,586	(18,129)	(8,074)
Beg. fund balance	(3,715)	810,308	26,628	833,221	841,295
Transfers	(8,609)	12,593	(3,984)	---	---
End fund balance	(59,846)	850,708	24,230	815,092	833,221

The total assets, liabilities and fund balances of the 32 districts at March 31, 2000 and 1999 are:

	2000	1999
	(in thousands of dollars)	
Assets	$ 1,131,374	$ 1,146,055
Liabilities	316,282	312,834
Fund balance:		
Operating fund	(59,846)	(3,715)
Capital fund	850,708	810,308
Restricted fund	24,230	26,628
Total liabilities and fund balance	$ 1,131,374	$ 1,146,055

Our audit conclusions and findings

For the year ending March 31, 2000, we audited 10 of the 32 districts. For nine of those districts, we carried out our audit responsibilities by working with the auditors engaged by the districts. We directly audited the Regina District Health Board.

We followed the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html). Together with the health districts' auditors, we formed the opinions referred to below.

Exhibit 1 (on the next page) lists the 10 districts we audited in 1999-2000. Exhibit 1 also shows the districts we plan to audit for the year ending March 31, 2001 and future years.

In our opinion, for the ten districts that we examined for the year ended March 31, 2000:

- **the districts' financial statements are reliable;**
- **the districts had adequate rules and procedures to safeguard and control their assets, except where we report otherwise in this Chapter; and**
- **the districts complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing, except where we report otherwise in this Chapter.**

The districts' appointed auditors and our Office formed the opinions referred to above with one exception. We disagree with the reports of the appointed auditor of the Saskatoon District Health Board who did not report the need for the district to report on its performance as noted on pages 128 and 132. In the appointed auditor's opinion, the district's internal and external reports were adequate.

The Provincial Auditor Act requires us to do additional audit work when we are unable to rely on the reports of an appointed auditor. Our additional work consisted of reviewing the District's internal financial reports and other accountability reports, and discussing areas of concern with management.

Exhibit 1:

Audit rotation for health districts

Districts selected for the year ended March 31, 2000

For the year ending March 31, 2000, we audited Regina and Saskatoon; two of the four mid-sized districts (Battlefords and East Central); and six smaller districts (Keewatin Yathe, Mamawetan Churchill River, North East, Central Plains, Moose Mountain, and Southwest).

Districts selected for the year ending March 31, 2001 and future years

We plan, each year, to audit the two largest districts; two of the four mid-sized districts; and six smaller districts.

For the year ending March 31, 2001, we plan to audit Regina and Saskatoon; two of the four mid-sized districts (Moose Jaw-Thunder Creek and Prince Albert); and six smaller districts (Assiniboine Valley, Lloydminster, Living Sky, South Central, South East, and Twin Rivers).

We organize our audit findings and recommendations into three groupings. These groupings reflect important responsibilities of the boards of directors in their role of overseeing the districts' operations. These are:

- setting direction and monitoring performance;
- safeguarding assets; and
- complying with authorities and ensuring adequate accountability to district residents and the Minister.

Setting direction and monitoring performance

The boards of directors of all the districts we examined need to continue to improve how they set direction and monitor their districts' performance.

Financial results

For seven of the ten districts we examined (East Central, Keewatin Yathe, Mamawetan Churchill River, Moose Mountain, Regina, Saskatoon and Southwest), the boards of directors need better interim financial information to monitor their performance.

The Regina and Southwest health districts have not formally defined and documented their financial information needs, nor have they formally delegated authority to senior management in written rules and procedures. The boards of directors need to do both to ensure they receive the information necessary to monitor the districts' financial performance.

For each of the districts named in parenthesis, the interim financial reports their boards of directors receive need improvement.

- The interim financial reports are not prepared in accordance with generally accepted accounting principles.

  The interim financial reports do not regularly include the results of operations of the capital fund and certain restricted funds (i.e. the community and endowment funds) (East Central).

  The interim reports do not regularly include the results of operations of the districts' affiliates (Saskatoon).

  The interim financial reports do not include all amounts owed (Mamawetan Churchill River).

  The interim financial reports do not include the Board's assets and liabilities (Mamawetan Churchill River and Moose Mountain).

- Interim financial reports do not provide adequate explanations of differences between planned results for the period and year-to-date with actual results for the period and year-to-date (Mamawetan Churchill River, Saskatoon and Southwest).

- Interim financial reports do not show a forecast of expected results to the year-end based on current information (Mamawetan Churchill River and Saskatoon).

- Interim financial reports do not provide information on the cost of health care services. The reports show the cost of the services that the Board purchases (e.g., salaries, supplies) but the reports do not relate this information to the health care services (e.g., acute care, emergency response services) that the Board provides to District residents (Mamawetan Churchill River).

- The interim financial reports do not provide information on the cost of the services that the Board purchases (e.g., salaries, supplies). The reports show the cost of the health care services (e.g., acute care, emergency response services), but the reports do not relate this information to the cost of the services the Board purchased (Moose Mountain).

- Interim financial reports provided to the boards are not timely (East Central, Keewatin Yathe, Saskatoon and Southwest).

We reported similar matters in previous reports to the Legislative Assembly. In January 1999, the Standing Committee on Public Accounts (PAC) considered these matters and agreed with our recommendations for improvement.

1. **For each of the districts named in parenthesis, we recommend that:**

   - **boards of health districts formally define and document their financial information needs and the delegation of authority to senior management** (Regina and Southwest).

   - **boards of health districts receive better and more timely interim financial reports to enable them to assess the financial performance of their districts** (East Central, Keewatin Yathe, Mamawetan Churchill River, Moose Mountain, Regina, Saskatoon and Southwest).

Operating results

To set direction and monitor performance, the boards of all districts we examined need to tell management what health outcomes they expect, approve performance targets and measures to monitor progress in achieving those outcomes and approve the reporting requirements.

To establish the desired performance targets and measures, the districts need to continue to work on determining the health needs and health status of residents to determine expected long-term health outcomes. Once the boards have set desired performance targets and measures, they will have to consider the effect this will have on the types, costs and volumes of district services. The boards then need to receive reports showing what management did compared to what the boards expected.

As yet, the reports that the boards receive do not contain all of the information listed above. Generally, the reports show the cost and volume of services the districts provide compared to their plans. However, the reports do not show expected long-term health outcomes and the districts' progress in meeting outcome targets. As a result, boards are unable to fully assess the effectiveness of their services in improving the health status of residents. We recognize measuring and reporting on the health status of residents and the effectiveness of services will take time and resources.

Preparing good reports for the boards will help the boards to govern better, and also will provide a sound basis for reporting to the Minister and the public.

We reported a similar matter in previous reports to the Legislative Assembly. In January 1999, the PAC considered this matter and agreed with our recommendations for improvement.

We continue to recommend that:

- boards of directors continue to formally define and document the health outcomes the boards expect and the performance targets and measures needed to monitor progress in achieving desired outcomes; and

- districts' internal reports compare actual performance for services delivered to planned performance.

Safeguarding assets

Written and approved rules and procedures needed

Four of the ten districts we examined (Battlefords, East Central, Mamawetan Churchill River and Southwest) need better written rules and procedures to help safeguard their assets.

Boards of directors must ensure management has established adequate written rules and procedures to safeguard and control the districts' assets. The boards should then approve the rules and procedures. Once adequate rules and procedures are in place, management must ensure these rules and procedures are followed to safeguard and control the districts' assets.

Written rules and procedures provide for the orderly and efficient conduct of business. They also reinforce the boards' delegation of authority and the responsibilities of all employees. Adequate written rules and procedures help reduce the risk of errors, fraud, breakdowns in control and unauthorized transactions. Exhibit 2 (on the next page) provides examples of the kinds of written rules and procedures districts require.

The Department and districts have prepared a model set of rules and procedures that districts can adapt to their own circumstances.

We reported a similar matter in previous reports to the Legislative Assembly. In January 1999, PAC agreed with our recommendation for improvement.

2. **For each of the districts named in parenthesis, we recommend that management establish and the boards approve written rules and procedures to safeguard and control the districts' assets** (Battlefords, East Central and Mamawetan Churchill River).

3. **For each of the districts named in parenthesis, we recommend that management establish, the boards approve,**

and management implements written rules and procedures to safeguard and control health districts' assets to ensure the:

- **proper recording of transactions and preparation of monthly financial reports** (East Central);
- **control of bank accounts** (Battlefords, East Central, Mamawetan Churchill River and Southwest);
- **proper development of information systems** (East Central);
- **control of payroll records to ensure they are accurate and authorized** (Battlefords);
- **control of client trust accounts** (Battlefords);
- **control over the collection of ambulance fees** (East Central); **and**
- **preparation of written and tested contingency plans** (Southwest).

Exhibit 2:

The Board's written rules and procedures should cover:

- proper authorization, recording, and monitoring of transactions;
- assigning responsibility for tasks;
- preparation of monthly financial reports including:
  - accounting policies to be used, and
  - the information needs of the Board;
- controlling of bank accounts;
- personnel policies; and
- electronic data processing policies and controls.

Operating agreements need improvement

The Regina Health District needs to improve its operating agreements with special-care homes (affiliates) that provide services for the District.

The District has agreements with many affiliates that provide services for the District. The District provided $38.3 million to these affiliates in 1999-2000.

The District is responsible for providing necessary health services for its residents. To meet its responsibility in a cost-effective manner, the District must coordinate the services it provides directly with the services the affiliates provide. Sound agreements help to ensure the affiliates effectively deliver health services to achieve the District's objectives.

Written agreements help ensure there is no misunderstanding of responsibilities and expectations.

The District's agreements with its affiliates need improvement. The District should change the agreements to require the affiliates to establish and report on their systems to achieve the District's financial, operational and compliance objectives needed to manage the delivery of health care successfully.

To meet its responsibilities, the District needs complete and timely information to ensure the proper use of public money entrusted to the affiliates.

Other health districts that have affiliates follow the November 1996 model operating agreement issued by the Department of Health. The model agreement provides for the affiliates' auditors to report to the district on the adequacy of the affiliates' financial controls and compliance with authorities. The model agreement also states that the district and affiliates will jointly "assess the effectiveness and quality of services provided by the affiliates".

We reported this matter in previous reports to the Legislative Assembly. In January 1999, PAC considered this matter and agreed with our recommendation for improvement.

4. We recommend the Regina Health District ensure its operating agreements require affiliated organizations to establish and report on their systems to achieve the District's financial, operational and compliance objectives.

Complying with authorities and ensuring adequate accountability to district residents and the Minister

The boards of directors need to ensure management has established adequate rules and procedures to comply with legislative and related authorities including key agreements.

We note two areas where districts did not have adequate rules and procedures to ensure compliance with authorities.

Performance reporting requirements

All ten districts we examined need to continue to improve the information they submit to the Minister and the public to fully comply with *The Health Districts Act* (Act).

Section 35(2) of the Act requires districts to report annually to the Minister on:

- the health status of their residents; and
- the effectiveness of their programs.

The Department of Health and the districts have prepared a framework to guide districts in measuring and reporting the health status of residents and the effectiveness of district programs. In addition, the Department has issued guidelines for the preparation of health district annual reports, guidelines for the preparation of three-year strategic plans for districts and guidelines for performance measures for mothers and infants. These guidelines should help the District to meet the reporting requirements of section 35(2) of the Act.

Although the information districts provide to the Minister and public has improved, the information does not fully meet the requirements of the Act. To fully report on the health status of residents and the effectiveness of programs, districts need to set performance targets and measures. Once they set performance targets and measures, districts will need to design information and reporting systems that enable comparisons of actual results to targets. We recognize this will take time and resources.

As we noted earlier, districts also need to improve their internal reports. These internal reports would provide a sound basis for the preparation of the external reports to the Minister and the public required by the Act.

We reported this matter in previous reports to the Legislative Assembly. In January 1999, PAC agreed with our recommendation for improvement.

We continue to recommend that health districts continue to work with the Department to ensure they can provide the Minister and the public with the full range of information required by *The Health Districts Act*.

Complying with other authorities

Seven of the ten districts we examined (East Central, Keewatin Yathe, Mamawetan Churchill River, Moose Mountain, Regina, Saskatoon and Southwest) need to improve their compliance with the laws and regulations as described below in our recommendations. We reported a similar matter in previous reports to the Legislative Assembly. In January 1999, PAC agreed with our recommendation for improvement.

5. **For each of the districts named in parenthesis, we recommend that health districts:**

    - **obtain the Minister's prior approval before purchasing hospital equipment costing more than the limits set out in the *Hospital Standards Regulations*** (East Central, Keewatin Yathe, Moose Mountain and Regina).

    - **submit their budgets to the Minister on time as required by *The Health District Act*,** (Mamawetan Churchill River, Saskatoon and Southwest).

    - **require the bonding of employees who receive and account for money as required by *The Hospital Standards Act*.** (Moose Mountain).

- **obtain the Minister's approval for projected deficits as required by *The Health District Act*** (East Central, Regina).
- **present the auditor's report on its financial statements at a public meeting as required by the District's bylaws** (Regina).

Payee lists

Three of the ten districts we examined (East Central, Regina and Southwest) did not publicly report a list of persons who received money from the districts and the amounts these persons received. It is usual practice for government organizations to publicly report a list of persons who received public money and the amounts.

Public disclosure is important for three reasons. First, it serves to remind officials that they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision making as it ensures those who spend public money know their use of that money will be made public. Third, it ensures the public knows who has received their money.

In 1996, PAC recommended that the Department consult with districts on the preparation of lists of payees, and recommended the Government report the results of the consultation to the Standing Committee on Public Accounts. The Department has consulted with districts on this matter and most districts now provide this information publicly.

6. **For East Central, Regina and Southwest health districts, we recommend they publicly report a list of persons who received money from them and the amounts.**

Health district board information for financial decisions

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Executive summary

To carry out their responsibilities, boards of directors require adequate information. We audited the information that six boards of health districts received to help them make financial decisions. We concluded that three of the six boards received adequate information for making financial decisions.

We examined whether the information provided to the six participating boards was relevant, reliable and understandable. The boards varied in the extent to which their information was relevant, reliable and understandable. The six boards generally received understandable information and were informed about their district's progress towards goals and objectives. The information boards received was often not timely and was therefore less relevant. The financial information given to three of the boards did not meet our criteria for reliability, in that information was not sufficiently accurate or complete.

We hope this report will encourage boards of health districts, as well as other boards, to re-examine the information they require for decision making. We urge boards of health districts to work with their management, and with the Department of Health, to make information more useful for making financial decisions. In particular, we recommend that health district boards improve the relevance and reliability of financial and program information they receive.

Introduction

Boards of health districts manage approximately $1.5 billion of public money. They deliver health services to their residents. They must deliver the right services, at the right time, and within a limited budget. They also must report to the public on the health of their residents and the effectiveness of their programs.

To carry out their responsibilities, boards of health districts require adequate information. Adequate information enables, but does not guarantee, good decisions. Our regular audits of health districts' financial activities identified that some health district boards do not receive adequate information to make decisions. With the support of the Provincial Auditor's Health District Advisory Group,[1] we decided to examine in more depth the information that health district boards receive to help them make financial decisions.

During the period that we audited—the fall of 1999—boards of health districts faced many challenges. New board members were elected to the boards. The health sector was recovering from a strike of health care providers. Districts had to plan for the impact of a new agreement with nurses on district finances and on service delivery. At the end of December 1999, boards of health districts did not yet know whether the Department of Health would approve their budgets for the fiscal year that began eight months earlier. Many health districts were spending more money than they were receiving in revenue.

During the time period we audited, boards of health districts made many financial decisions. This audit looked at the information that they relied on to make those decisions.

Accountability for board information

Boards of health districts must ensure that they receive adequate information. Boards must discuss with management what information they require, and must support management's efforts to collect and present that information. Policies are a useful way for boards to confirm the type and frequency of the information they require.

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[1] The Health District Advisory Group advises the Provincial Auditor on significant issues that district health boards need to manage well and on the approach used by the Provincial Auditor to examine those issues. The Advisory Group includes representatives from health districts (boards and management), the Department of Health, the Saskatchewan Association of Health Organizations, the Health Services Utilization and Research Commission, and from a public accounting firm.

It is important that boards set out their goals, objectives and priorities. This provides management with direction for managing the district's activities. It also helps management to select the most important information for the board.

Management must provide the board with the information it requests as well as with other information the board needs to understand the district's current situation and to look ahead. Management also must attempt to ensure that the board is not overloaded with information, and that the board receives information in time for it to be considered.

In health districts, some of the information that boards require is influenced by the Department of Health. The Department sets guidelines for the format and content of districts' strategic plans, annual health plans, and operating budgets. In addition, the Department suggests ways to manage interim financial information (e.g., 1997 draft guidelines entitled *District Health Board Internal Financial Reporting Framework*).

Boards must also receive and review information that they are required to provide to the Minister of Health and the public. This information should include the effectiveness of the district's programs and the health status of district residents.

Our objective and criteria

The objective of our audit was to assess whether boards of health districts receive adequate information for making financial decisions. We focused on the understandability of information received by six selected boards for their financial decisions at the mid-point of the 1999-2000 fiscal year (Fall 1999).

What is adequate information for financial decisions? Exhibit 1 sets out what we expected. Our expectations (criteria) were guided by accounting standards, information management standards, relevant literature, and Department of Health guidance for health districts.

Exhibit 1 – Criteria

1. **Information for board financial decisions should be relevant**
    - 1.1 is received by board in sufficient time to consider before making decisions
    - 1.2 provides information about progress towards the district's goals and objectives
    - 1.3 helps the board look ahead
2. **Information for board financial decisions should be reliable**
    - 2.1 is accurate and complete
    - 2.2 is neutral, fair and reasonably free from bias
    - 2.3 is verifiable
3. **Information for board financial decisions should be understandable**
    - 3.1 reflects an appropriate level of detail
    - 3.2 explains the context of what happened and its future impact
    - 3.3 provides comparative information
    - 3.4 communicates in a way that makes the information useful

Our audit and findings

We invited six of Saskatchewan's thirty-two district health boards to participate in this audit. The six district health boards varied in size and in financial position. All six districts that we invited agreed to participate.

In our audit, we examined management reports, financial reports, information packages, minutes, policies, and planning and budget documents of the selected districts. We reviewed information each board received during the October-December time period that showed results from the first half of the 1999-2000 fiscal year. We invited the comments of all board members of the districts through a questionnaire. We interviewed the chief executive officer and chief financial officer for each district. We also interviewed each district's appointed auditor. We examined the district's audited financial statements and we reviewed the most recent assessment of the district's internal controls.

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Overall conclusion and recommendations

Overall, we concluded that three of the six boards we audited received adequate information for making financial decisions. Three of the six boards did not receive adequate information for making financial decisions.

Exhibit 2 – Adequacy of information to six health district boards (Fall 1999)

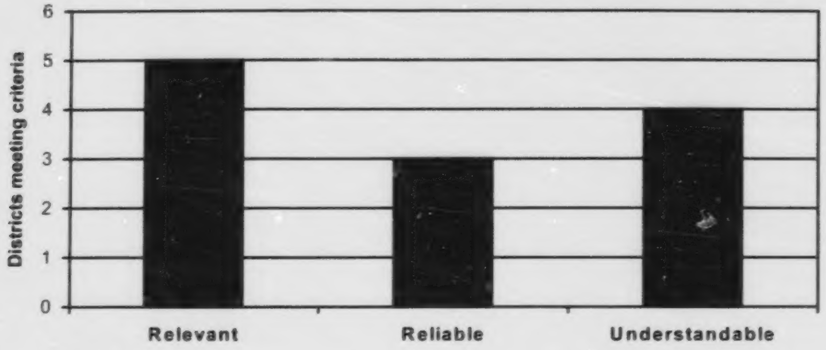

Exhibit 2 shows that of the six boards, we concluded that one board did not receive adequately relevant information. Three of the six boards did not receive adequately reliable information. Two of the six boards did not receive adequately understandable information. Although our audit findings are based on our work in six health districts, we recommend that all health district boards consider the following recommendations.

We recommend:

1. **Boards of health districts should improve the relevance of financial and program information they receive by requesting:**[2]

   - **timely reports. Boards should request that they receive reports as soon possible after the end of the reporting period, preferably within 30 days, and at least one week before meetings;**

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[2] Part C of this Chapter contains recommendations for specific health districts relating to quality and timeliness of financial information and the setting of performance measures.

- **reports that describe progress towards goals and objectives. Boards should continue their efforts to define performance measures and should focus their efforts on defining a limited set of key measures that monitor progress toward the board's most critical objectives; and**

- **reports that help them look ahead. Reports should include projections or forecasts (e.g., of results, service delivery volumes, staffing levels).**

2. **Boards of health districts should improve the reliability of financial and program information they receive by ensuring:**

    - **reports include information about the financial position and program effectiveness of significant affiliates;**

    - **reports disclose significant assumptions used in preparing projections or forecasts; and**

    - **districts standardize the way they collect and safeguard information.**

Audit findings

In this section, we describe our expectations for each criterion and set out key points from our findings.

Criterion 1 – Information for board financial decisions should be relevant.

Relevant information is timely, explains progress towards objectives, and helps the board to look ahead. All but one of the boards received adequately relevant information.

1.1 Timely

We expected that board members should receive written information about the first half of the fiscal year within 30 days after the end of that period. We expected that board members should receive written information at least one week before meetings where they would make decisions based on that information.

None of the boards we examined received sufficiently timely information.

For information to be relevant, it must be timely. We looked at two components of timeliness. The first was that we expected board members to receive written information that related to the first half of the fiscal year within 30 days after that period ended. That is, we expected information about the period April 1 – September 30, 1999 to be in the hands of board members by the end of October 1999 (even if the board meeting to review the information was held later).

None of the six boards received information for the first half of the fiscal year within the 30 day time period. Boards received the information between approximately 40 to 70 days after the end of the period. By receiving information soon after a period ends, a board would be better able to make timely decisions in response to the information.

Reasonable boards ask their managers to make trade-offs between the timeliness of information and its accuracy, completeness and cost. Some managers told us that they delayed providing information to take additional steps to ensure its accuracy. Some managers advised that it took 10-15 days after the end of the period to receive payroll information from the Saskatchewan Association of Health Organizations. This information is critical because payroll constitutes the largest expense for health districts. Managers said this made it difficult to provide related information to the board within 30 days.

The second component of timeliness is that we expected board members to receive written information at least one week before board meetings. Receiving information well in advance of board meetings allows board members to review the information and prepare for meetings. It promotes understanding of the information and enables board members to ask important questions.

Three of the six boards received most information at least one week before meetings. In some cases, information for the board was handed out at one meeting for information, and used to reach decisions at subsequent meetings. In other cases, board members were expected to review the information and make decisions on the spot.

It is inappropriate to expect board members to make informed decisions on the basis of information they have just received, even if they have been given an opportunity to quickly review it. This is particularly true of information that supports financial decisions. Board members should insist on adequate time to review information before they make financial decisions.

1.2 Provides information about progress towards goals and objectives

We expected that board members should receive information that described the district's progress towards its goals and objectives.

Central to governing is knowing whether you are succeeding in what you have set out to do. Are the district's strategies working? Do changes have to be made to achieve objectives?

All of the boards received at least minimally adequate information about their district's progress towards its goals and objectives. To assess their progress toward financial objectives, all of the districts compared their actual revenues and expenditures to their budgets.

All of the boards received information about district programs and services. This would often take the form of monitoring reports or briefing notes. In some cases, reports were verbal.

We found that three districts used performance measures to report performance to their boards during the audit period. Use of performance measures is still developing. Districts should select performance measures that relate to the district's priority objectives. This improves the relevance of the information that the board receives.

Exhibit 3 – Information district managers would like to have

We asked district managers what information they would like to have to assist boards in making financial decisions. Responses included:

- comparative data from other districts
- comparative provincial and national data
- better human resources statistics
- cost/effectiveness of programs
- better health service utilization information
- longer-term data
- economic trend information used by Department of Health

The districts need to improve how they link the information they provide to their boards' goals and objectives. Two of the districts clearly linked information to their board's goals and objectives. A useful practice followed by two boards was to set a format for board material that explicitly required these links. For example, briefing notes for one board required an explanation of the "Link to District Goals."

Three districts had policies that required the board to annually set performance objectives and review performance at each meeting. Two districts used an extensive monitoring schedule, whereby different financial and program reports would be brought to the board at specific times throughout the year. These reports related to elements of the board's strategic plan. Putting a useful reporting practice into a policy, and building a schedule around the production and review of information can help increase the likelihood that the board will receive useful and timely information.

Sometimes boards receive information showing that goals and objectives are not being met. Boards then require information about corrective action taken. All six districts provided their boards with information that described corrective action where reports to the board revealed that the districts' objectives were not being met.

1.3 Helps the board look ahead

We expected that boards should receive information to help them evaluate their ability to meet their financial and program commitments. We expected that boards should receive information to help them identify and manage risks.

Boards require information to help them manage for the future. Boards need to receive information that will help them assess whether they will be able to meet their financial and service commitments. They need to know about risks that they face, both internally and from external sources.

All but one of the boards received adequate information to look ahead. The districts used different methods to help their board look ahead.

Regarding *financial* information, two of the districts integrated year-end forecasts into the financial information provided to their boards. Another district provided limited financial forecast information in narrative management reports. All districts should include year-end forecast information in their financial reports. The Department's draft guidelines provide a useful model for including this information.

One district provided five-year trends in working capital (i.e., the district's current assets minus its current liabilities). We found little other evidence of financial trend information being provided to boards. While trend information is historical, it can help board members project future results.

Two boards received cash flow information. This information can assist board members in assessing their district's ability to meet financial commitments. Projecting cash flow would also help boards look ahead. One board projected cash flow to the end of the year.

Regarding *program* information, we also expected to see forecasts and trend information to allow boards to evaluate their ability to meet their service commitments. We expected to see boards receive information such as vacancies, sick leave, unused vacation, waiting lists, and bed occupancy.

All but one of the districts provided this type of information to help boards evaluate their program commitments. For example, districts included reports showing increased use of specific services, describing staffing challenges, or setting out waiting periods for services like elective surgery or long-term care.

Program information needs improvement in two respects. First, all of the districts should make this information more forward looking. For example, more forecast and trend information would assist boards in using the information to make decisions for the future.

Second, program information should help boards understand the consequences that result from their decisions and from other changes in the district. Knowing the consequences of their decisions helps boards to look ahead. For example, good program information could have assisted one board to anticipate that service reductions in one area (fewer long-term care beds) would result in a change in demand for services in another area (increase in home care clients needing heavy care). This is one benefit of integrated health district management.

Information that helps a board to look ahead informs the board of significant risks that it must manage (e.g., that the demand for elective surgery will be beyond budgeted staff resources). Useful information will present options and recommendations to the board for managing the risk (e.g., managing staff shortages through service reduction or increased overtime).

All six of the districts provided information to their boards regarding risks and about what management was doing to manage risks. One district provided their board with information about some specific risks in a "Risk Management Report." This report summarized the number and type of risk-related incidents that had occurred in a six-month period. The report listed numbers of "potentially compensable events", including unexpected deaths, letters from lawyers, lawsuits and threats of lawsuits, investigations by professional associations, and coroner's inquests. The report also described risk management activities and plans.

Exhibit 4 – How to improve relevance

- Put information into the hands of board members at least 5 days before meetings, so that they can review it and ask questions.
- Set clear objectives with target dates and performance measures to monitor progress.
- Report performance using key information that relates to priority objectives.
- Provide trend information to put current performance in context and help board members look ahead.
- Provide financial forecasts and service delivery projections to help the board look ahead.

Criterion 2 – Information for board financial decisions should be reliable.

Reliable information is accurate and complete, fair and verifiable. Three of the six districts provided adequately reliable information to their boards.

2.1 Accurate and complete

We expected that information provided to boards should account for all district responsibilities, including the operation of controlled affiliates. We expected that districts should have systems and practices to prevent or detect significant error in their financial information.

Three of the six districts we examined provided adequately accurate and complete information to their boards.

A board of a health district requires information about all the affairs for which the district is responsible. Affiliated organizations play an important role in many health districts. For example, an affiliate may deliver long-term care within the community. The significance and profile of affiliates as a provider of important services to the community can be greater than the amount spent on affiliates would suggest.

What do board members need to know about the district's affiliates? Board members need to know about the financial health and operational effectiveness of affiliates. If there are many affiliates, it may not be practical for the district to prepare detailed reports on each affiliate. A brief but sufficient report would show the overall position of all affiliates and would flag affiliates experiencing financial or program difficulty.

For example, one district provided its board with adequate information about the district's affiliate. The district included in the interim financial information a one-page statement of operations from the affiliate. This was a useful way to keep the board up to date on the financial health of the affiliate.

Boards require information that is accurate. Management for all of the districts told us that they follow generally accepted accounting principles (GAAP) in preparing interim financial information for the board. One board specified in a bylaw that GAAP must be followed for interim financial information. Five boards did not have bylaws or policies requiring that GAAP be followed for interim financial information.

To help assess whether boards had adequate financial systems and practices to ensure accurate financial information, we talked to each district's appointed auditor and reviewed their most recent assessment of the district's internal controls. Two districts had weaknesses in their practices that made their financial information less reliable.

One of the six districts we examined required significant adjustments to its records before the district's auditor could report that the district's year-end financial statements were reliable. This pointed to a lack of accuracy in the interim financial information.

2.2 Neutral, fair and reasonably free from bias

We expected that boards should clearly indicate whether information was estimated or actual. Where estimates or forecasts were provided, we expected that assumptions used to develop those estimates or forecasts should be disclosed and reasonable. We expected that information provided to boards should include shortcomings as well as successes.

Four of the six districts we examined met our criteria for information that was neutral, fair and free from bias.

All of the districts presented information to their boards that included shortcomings in addition to successes. For example, we found that boards received not only information about positive results, but also information about matters that were not progressing according to the board's plan.

One district in particular did a good job of identifying limitations in the data it presented to the board. For example, footnotes to tables noted where reporting methods differed, making information less reliable, or noted where information was based on estimates rather than actual spending.

However, none of the six districts adequately informed their board about the assumptions supporting financial or program projections. We recommended earlier in this report that all districts provide more forward-looking information, including forecasts and estimates. We suggest that when districts provide financial forecasts or program projections, they also alert the board to any significant assumptions. This would help boards assess the reliability of the information they receive.

2.3 Verifiable

We expected that districts should have systems and practices to collect information in a systematic way. We expected that districts should maintain information to protect its integrity.

Two districts met our criteria for verifiability. For the remaining four districts, we found insufficient evidence to reach a conclusion.

We found few examples of board or operational policies about information collection. We found that one district used written instructions for collection of statistical information. Another district set out definitions and schedules to help standardize the information collected.

District managers told us that much information collection is governed by legislation and regulation. In addition, Department guidelines and the requirements of organizations such as the Canadian Institute of Health Information further specify how districts collect information. Nevertheless, districts told us that information collection remained *ad hoc* in many respects, with different facilities within a district following their own rules for information collection.

Four districts had policies about protecting information after it was collected. In these districts the board had provided guidance on information storage, backups, security, confidentiality, and disaster recovery.

Exhibit 5 – How to improve reliability

- Make sure the board receives essential information about its affiliates.
- Use generally accepted accounting principles to prepare interim financial reports.
- State the assumptions upon which financial forecasts or program projections are based.
- Use written policies to standardize procedures about collecting and safeguarding information.

Criterion 3 – Information for board financial decisions should be understandable.

Understandable information has sufficient, but not excessive detail, explains context, provides comparisons and is clearly communicated. Different districts met different criteria. Four of the six boards received adequately understandable information.

3.1 Appropriate level of detail

We expected that the boards of health districts should receive appropriate and significant information. We expected that information should be sufficiently detailed that problem areas would be disclosed (and not obscured by extraneous or excess information). We expected that boards should use a few performance measures, but not so many that the meaning or importance of the information being conveyed would be overlooked.

Five of the six districts we examined provided their boards with information at appropriate levels of detail.

The board of a health district requires different information than management. The board needs information to know whether management is successfully implementing the board's plans and strategies. It needs information to decide when its plans should be changed to achieve the health outcomes it is striving for, at an appropriate cost. Management information is often too detailed or may contain the wrong information to help the board make decisions.

Boards need to tell management what level of detail the board needs in its information. For example, one board uses a policy on financial reports to do this. The policy requires management to explain when spending or revenue is more than $25,000 higher than planned. Boards also need to tell management if the level of detail the board receives in its information is sufficient.

Management should take steps to minimize the amount of information presented to board members without leaving out essential information. In a few cases, managers advised us that their boards had specifically requested more detail than management would normally provide.

Some of the district information we looked at made good use of summaries and briefing memos to highlight important matters for boards. This is particularly useful where additional detail has been furnished, for example, at board request. In this way, board members can choose the level of detail that meets their needs on specific issues.

In some cases, boards received too much information on matters either less important or less relevant to the board's role. For example, several boards received detailed information about media coverage and community events, but very little about service delivery or progress towards objectives. One board received a detailed written report on medical staff assignments, but only verbal reports on how the district was coping with bed occupancy issues.

One board received insufficient written information. Some of the important information provided to the board was provided verbally. Use of verbal information makes prior examination, detailed analysis, and subsequent review of information impossible. It lessens understandability.

We found less use of performance measures than we expected. As noted above, performance measures direct attention to clearly identified objectives or priorities and clearly show progress towards objectives.

One of the districts identified many performance measures, creating a risk that their meaning or importance could be obscured. However, in that district, management presented performance measure information to the board in small, useful groupings, at set intervals, according to a pre-determined schedule. This approach increases the understandability of performance information and aids a board's understanding of many performance measures. Even so, we suggest that boards closely monitor a few key measures that show progress toward their most critical objectives.

3.2 Explains the context of what happened and its future impact

We expected that boards should receive explanations where their actual results differed from their planned results (variance reports). We expected variance reports for financial and program information to show where results differed from plans, why they differed, and what the impact would be on services or finances in the future. We expected that management should link financial information to program information to increase board understanding of district operations and performance.

Four of the six boards we examined adequately explained the context of what happened and its future impact.

Four of the districts we audited provided their boards with good explanations where their actual results differed from their planned results, for example, why spending or revenue differed from plans. This information helps a board understand the district's performance and future challenges.

Three boards provided information that explained the links between financial and program information. This helps put information in context by highlighting connections that exist between board decisions and their implications. For example, a management report for one board discussed the financial implications of overbooking surgical capacity. Another management report for the same board considered whether spending on advanced clinical nurses saved the district money in other parts of the budget.

Boards receiving explanations and information about context will more fully understand the financial ramifications of program issues and decisions. A district needs to know how the financial decisions it is facing will impact service delivery. The linking of financial and program information is crucial to help boards make informed decisions and weigh necessary trade-offs.

3.3 Provides comparative information

We expected that districts should compare the current information they provided to their boards with their budget, with prior periods, and with other districts.

Five of the six districts we examined provided their boards with adequate comparative information.

Comparisons increase the understandability of information. All of the districts compared their financial results to their budget.

Most of the districts compared their financial results to the same period in the prior year. Four districts provided this comparison for their balance sheet (assets and liabilities). Only one district provided this comparison for operating information (expenses and revenues). Districts need to compare their operating expenses and revenues to the comparable period in the prior year.

Two districts compared program information to information from the prior year. For example, one district compared volumes of service in acute care to the same point in the prior year. The same district compared the number of individuals waiting for placement in long-term care to the number of individuals that were waiting five months and twelve months earlier. This type of comparison assists boards to assess the changing pressures on district services and understand how the district is managing those pressures.

We found little evidence of districts comparing their financial or program information with that of other districts. Two districts compared limited program information with that of other districts (e.g., comparing volume of surgical services and information about where district residents sought care).

3.4 Communicates in a way that makes the information useful

We expected that districts should communicate information to their boards in ways that would increase board understanding. We expected *simple presentation formats and clear language. We expected that board members should have the opportunity to engage management in discussion regarding the information they received.*

Five of the six districts we examined adequately communicated information in ways that made the information useful.

We found little use of charts and graphs to clearly present numerical or statistical information, trends or performance measures. Software tools to help display information in charts or graphs are inexpensive and readily available. Presenting information visually helps increase understanding.

Similarly, using tables and schedules can make information more "user friendly" than long narrative paragraphs. For example, one district presented useful information describing where actual results varied from planned results. However, it did so in a lengthy narrative form. In contrast, another district used a useful one-page schedule that showed where results varied from plans and included short explanations.

Exhibit 6 – Communicating information

We asked district managers what worked well for communicating information to their boards. Responses included:

- use of presentation software (e.g., PowerPoint) to catch and hold interest
- consistent use of a format that summarizes information and links to board priority objectives
- taking time for board education at every meeting
- informal atmosphere at board meetings
- providing every board member with a fax machine

Board education and development should accompany information to increase its understandability. This is particularly important when new members have recently joined the board. One district gave board members a brief overview of the uses and importance of financial statements before meeting to discuss financial results. Another district began a client services presentation with a short review of terminology commonly used in acute care and home care settings.

The medical field tends to use highly technical terms, as well as acronyms (something known by its initials) and abbreviations. We found that most of the districts used understandable language in their communications to their boards. We also found examples where districts used many technical terms and acronyms without defining them. We suggest that this be avoided if possible, and that technical terms be defined where used.

Exhibit 7 – How to improve understandability of board information

- Ensure management knows what level of detail the board needs.
- Make explicit links between financial and program information (e.g., cost per bed, cost per long-term care client, savings due to change, impact of budget cuts on service).
- Present information visually using charts and graphs.
- Use tables and schedules to present numerical or statistical information.
- Remember who the information is for—avoid technical terms where possible or define them.
- Accompany information with education—inform board members what the information means and why it is important.
- Ensure board members are encouraged to ask questions and engage in discussions with management before making financial decisions.

A crucial element in increasing board understanding of information is to ensure that boards have adequate opportunity to engage management in discussion. In our questionnaire, we asked if board members thought they received enough time to discuss and question agenda items before financial decisions were made. Most of the board members who responded to our questionnaire said that they received sufficient time. In a few cases, board members indicated that questions were not always answered to their satisfaction.

The board chair plays an important role in ensuring that adequate time is allotted for discussion. The board chair also can help ensure that all board members have an opportunity for discussion and that there is sufficient time for questions. Board members, and particularly the chair, need to be vigilant in ensuring that questions are clearly answered and that the board has sufficient information to make a decision.

Summary

Overall, three of the six districts we examined provided adequate information to their boards to assist them in making financial decisions. We saw positive elements in the board information received by each of the six boards. We also saw room for improvement in the information received by each of the boards.

We hope this report will stimulate discussion among board members and among managers about the nature of information that is useful to boards. We urge boards of health districts, as well as other boards, to re-examine the information they require for decision making. We urge boards of health districts to work with their management, and with the Department of Health, to make the information more useful.

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Follow-up of health district practices to assess health needs and allocate resources based on health needs

2E

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Introduction

In 1996, we reported to the Legislative Assembly on the practices of health districts for assessing health needs. In 1997, we reported how districts allocated resources using information from health needs assessments. The Standing Committee on Public Accounts and the Legislative Assembly endorsed the recommendations we made in these reports.

During 1997-2000, several organizations helped health districts to improve their needs assessment and resource allocation processes. The Prairie Region Health Promotion Research Centre co-ordinated seminars on topics related to needs assessments and analyzing the information collected. The Centre received financial assistance from the Department of Health and Health Canada, while the University of Saskatchewan helped to host the events. In addition, in 1997 and 1998, the Department of Health provided six regional workshops on needs assessment methods and it continues to offer advice and resources.

In August 2000, we surveyed all health districts to discover what action districts had taken on our 1996 and 1997 recommendations. We also wanted to learn whether the districts still considered our original recommendations relevant for further action. Twenty-seven (84%) of Saskatchewan's 32 health districts responded to our survey.

Based on those survey responses, this report summarizes districts' recent activities in the area of needs assessment and needs-based resource allocation.

Criteria to assess health needs and allocate resources

Districts' processes to assess health needs

The Health District Act charges health districts with the responsibility to provide health services and report on the health status of district residents. The health needs assessment process is "an essential first step which provides the base for sound planning and decision making."[1]

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[1] Health Needs Assessment Guide for Saskatchewan Health Districts (Saskatchewan Health, 1993, page 2).

This process gives board members and senior management key information to help allocate resources or change the direction of services that are not yet responding to the health needs of district residents.

During 1995-96, we audited whether eight health districts had used adequate processes to assess their residents' health needs between 1992 and 1995. Further information about our audit approach appears in our 1996 Spring Report (page 138). We used the following criteria to guide our work. We expected the districts to:

- plan to assess the health needs of district residents;
- collect information, as planned, about the health needs of the population to be served;
- combine collected health needs assessment information to provide an overview consistent with a framework the district selected;
- analyze the collected health needs assessment information; and
- report on the health needs assessment to the board, service providers, the public and the Minister.

At the time of our 1995-96 audit, districts were actively assessing the health needs of their residents. However, districts found it hard to combine and organize the data they collected. During 1992-95, districts often did not have staff members who were familiar with methods to analyze and interpret the data they collected. At that time, health districts most often did not identify their most serious health needs and did not set priorities for action.

In our 1996 Spring Report (page 137), we made three recommendations about districts' health needs assessment processes. We state those recommendations in italics on the following pages along with a description of the current situation as reported by the 27 health districts that responded to our survey.

Districts' processes for resource allocation based on health needs

Districts spend over $1.5 billion annually. The districts' resource allocation decisions have an impact on the services available, on people's health and on the overall financial well-being of the Government. Without a strong resource allocation process, the districts may waste public resources or fail to provide services that could improve health.

In 1997, we examined whether five health districts had adequate processes to allocate resources based on health needs during the time period April 1995 to October 1996. Further information about our audit approach appears in our 1997 Fall Report – Volume 2 (pages 240-241). We used the following criteria to guide our work. We expected the districts to:

- identify priority health needs;
- set direction (e.g., goals and objectives) based on priority health needs;
- assess strategies to move in the direction set;
- select action plans; and
- assign resources for selected strategies to meet objectives.

In our 1997 Fall Report – Volume 2, we stated that during 1995-96, the five districts had adequate processes to allocate resources based on health needs with two major exceptions. At that time, the five districts used weak processes to decide their health need priorities and to set direction based on those health needs.

In our 1997 Fall Report – Volume 2 (page 239), we made two recommendations. We state those recommendations in italics on the following pages along with a summary of the current situation as reported by the 27 health districts that responded to our survey.

Action on recommendations

Districts told us they have been very active in assessing health needs and in using the information gained to guide their resource allocation decisions. Only one of 27 responding districts completed no needs assessment reports during 1995-2000. The districts made almost all of these reports available to the public or intend to do so. Some districts keep their reports available on a web site or provide information in regular newspaper articles.

Most districts told us that they focused their needs assessments on target groups. They studied health needs from the client's perspective. For example, districts focused their attention on the health needs of children (19 districts) or seniors (17 districts). Five districts studied the health needs of Aboriginal peoples and two districts assessed the health needs of immigrants. Some districts assessed particular types of health needs such as mental health (nine districts), injuries (eight districts) and communicable diseases (four districts).

Less than half of the responding districts examined health needs comprehensively with a general, district-wide needs assessment. A few districts oriented their attention to services rather than client needs. For example, one district examined primary health services; another district assessed home care services.

In 1996, we recommended districts should plan for the entire health-needs assessment process over the long-term (e.g., three to ten years). A long-term plan for needs assessment helps to make economical and timely use of information as it becomes available. It also helps districts to be forward looking so that they are better able to respond to future health needs and demands for health services.

In 2000, over half of the responding districts had a long-term plan for conducting needs assessments over time, as information and resources became available. Another five districts were considering ways to make long-term plans for their needs assessments. Several districts plan for a general assessment of health needs in the district every five years and do more targeted assessments between these general assessments. Eleven of the 27 responding districts plan for needs assessments on a three-year cycle in concert with their Strategic Plan.

In 1996, we recommended districts should organize and combine their health needs assessment information to present an overview. This should be done in a way that helps districts compare key information at district, provincial and national levels, and allows the information from all districts to form a provincial picture. A summary or overview, with comparison information, helps the board to identify areas that are a priority for action.

In 2000, 16 health districts reported that they combine their needs assessment information to form an overview of the health status of their residents. These 16 districts compared the health status of their district population to the health status of the population in other similar districts. Only 10 districts also compared their residents' health status to health status for the province or the country.

In 1996, we recommended districts should improve their analysis of the collected needs assessment information, including their process to identify important health needs and set priorities for action.

In 2000, almost all of the responding districts analyzed their needs assessment information and 14 districts asked experts to help them. Less than half the responding districts (11 out of 27) used the advice of their Medical Health Officer or an epidemiologist qualified to analyze the needs assessment information and recommend potential priorities. To help analyze their information, 10 districts used independent consultants, statisticians or researchers; four used Department of Health consultants.

In 1997, we recommended districts should decide which health needs are most important for action in the short, intermediate and long term.

In 2000, about two-thirds of responding districts used health needs to help them set priorities. Most districts also used public demand for services to set priorities. Districts expressed concern that community expectations for services are high. In some cases, districts reported that their communities' demand for service was not based on health needs or effective care. Four of the responding health districts (15%) reported that they did not set priorities to guide their resource allocation decisions.

Some districts have many 'priorities'. This makes it more difficult for them to focus their attention on the most important health needs. Setting priorities requires choices that will never be easy in the health sector.

In 1997, we recommended districts should set clear direction based on priority health needs in the context of other pressures on the district. The direction set should include goals, specific objectives and performance targets for short and long-term improvements in population health as well as health service needs.

In 2000, more than 80% of responding districts had a plan to influence the health needs of their residents over the long term. The Department of Health now requires all districts to have a strategic plan covering at least three years.

Senior managers in 93% of responding districts told us that they had formally advised their boards during 1997-2000 about important health problems facing significant numbers of district residents. This information helps boards to set objectives that address health needs in their district.

Only 56% of responding districts (15 out of 27) had set targets for how much they hoped to achieve in priority areas. Specific objectives that contain targets help the staff to assign resources so as to achieve an objective (e.g., reduce long-term care beds by 2% in 2000). Targets also help the board to measure success.

Summary

We thank the senior managers who responded to our survey. We appreciate their co-operation with this evaluation.

Most responding districts have improved their needs assessment and resource allocation processes. Districts use a longer timeframe for planning their needs assessments and half the districts now report an overview of their residents' health status. This needs assessment information contributes to resource allocation based on health needs.

About two-thirds of districts now identify health need priorities to help guide their resource allocation decisions. Half of responding districts set objectives with specific targets that help them measure their progress. This is a significant improvement. However, only about one third of districts use comparison information or expert advice to help analyze the needs assessment information and set priorities for resource allocation.

Of responding districts, almost all reported that the recommendations we made in 1996 and 1997 are still appropriate and useful. One district reported it had completed the actions suggested by the recommendations. Four districts expressed concern about their lack of time and expert staff and resources to carry out the recommendations. Several districts commented that the priorities of the Department of Health continue to override the districts' highest priorities.

We will continue to monitor the information health districts use to allocate resources and the processes they use to focus their efforts.

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Education

3

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Introduction

In this Chapter, we set out:

- our understanding of the Department. This includes an overview of its spending, role, goals and the key risks it faces. In addition, it includes a description of and the status of our work in the area of the Kindergarten to Grade 12 (K – 12) core curriculum.
- our audit conclusions and findings of our 2000 audit of the Department.

Understanding the Department

It is important that legislators and the public understand the role of the Department and the risks it faces. This helps them to assess the Department's performance.

Overview of Department spending

The 100 Saskatchewan school divisions spend over $1 billion on K – 12 education each year. The Department provides a portion of these monies through school division grants.

The following is a list of major program and spending reported by the Department in the *Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure* except for the amounts for Teachers' pension and benefits (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts). Those amounts are adjusted to reflect the annual costs of pensions earned by teachers.

The following is a list of major programs and spending:

	Original Estimates	Actual
	(in millions of dollars)	
Administration and shared services	$ 3.3	$ 3.6
Accommodation and Central services	2.1	2.0
Teachers' pension and benefits	108.1	149.9
School division grants (operating and capital)	427.6	426.6
Education programs	17.2	17.8
	$ 558.3	$ 599.5

Role of the Department and its goals

Under *The Education Act, 1995* (Act), the Department is responsible for the overall quality of the Kindergarten to Grade 12 education system in Saskatchewan. Also under the Act, locally elected boards of education and conseils scolaires are responsible for the administration and management of school divisions.

Specific responsibilities of the Department include developing policies and curriculum, working with school divisions to acquire and utilize resources to deliver the curriculum, certifying and classifying teachers, and regulating independent schools and home-based education.

Directions, published in 1984, sets out the Saskatchewan Goals of Education. The Goals of Education include developing the intellectual, physical, emotional, spiritual and social potential of all students in the province to their fullest extent. *The Saskatchewan Education Indicators 1999 – Kindergarten to Grade 12* (Indicators Report) provides information on progress towards achieving those goals. For further information on these goals and indicators, see the Indicators Report at http://www.sasked.gov.sk.ca/.

During the year, the Department prepared a strategic plan, *Department of Education Strategic Plan, 2000-01 to 2003-04*. The Plan sets out the following strategic outcomes:

- A high quality education system in which the Goals of Education are achieved;
- Public understanding of and confidence in the school system;
- Equitable access to and benefit from the services and programs of the education system;
- Leadership in mediating and facilitating the variety of social and political interests which have an impact on education; and
- Maintenance of the structural integrity, effectiveness and efficiency of the education system.

The Department plans to further develop goals, strategies and indicators to advance its mission. The development of a strategic plan along with its further refinements are important steps in improving the Department's accountability.

Risks the Department faces

In 1998, our Office worked with the Department to identify four areas where ineffective action could limit the Department's ability to successfully carry out its mandate. The Department must:

- ensure the provincial curriculum, that schools must deliver, reflects the knowledge and skills which people need;
- provide leadership to ensure the expectations of a quality education system delivered at a reasonable cost are clear and understood;
- ensure schools have equitable access to appropriate funding; and
- develop and implement measures to address the diverse needs of children and youth at risk of doing poorly at school.

See Chapter 3 of our 1998 Fall Report – Volume 2 for further details.

As identified in the *1999 Saskatchewan Education Indicators: Kindergarten to Grade 12*, the environment in which the Department operates continues to change. The population continues to shift from rural to urban areas. The number of agricultural and industrial jobs is declining while the number of service sector jobs is increasing. Although Saskatchewan's population of youth is shrinking, the province's young Aboriginal population is growing rapidly. On average, Aboriginal people have less education and lower incomes than non-Aboriginal people.

Also, a major finding of the Saskatchewan Special Education Review Committee's January 2000 report, *Directions for Diversity – Enhancing Supports to Children and Youth with Diverse Needs*, is that:

> ...schools in Saskatchewan are dealing with greater diversity in the student population. Meeting the diverse needs of students requires building the capacity of schools and school divisions to

> support those needs. Building inclusive schools through effective practices and supports to students will be the continuing challenge for schools, school divisions, and Saskatchewan Education.[1]

The Department's Plan discusses the critical need for money for infrastructure as one main challenge. It thinks more money is needed to ensure safe and adequate infrastructure for school divisions, increased training for students in computer-based technology areas, and to provide the supports necessary to meet the educational needs of special education and Aboriginal students.

Follow up of key risk: monitoring vulnerable students

In Chapter 2 of our 1999 Fall Report – Volume 2, we discussed the challenges faced by the Department in monitoring vulnerable students and we made the following recommendation:

> We encourage the Department to take a leadership and coordinating role to improve the monitoring of the movement of vulnerable children between schools and education systems.

During 1999–2000, the Department undertook various related steps. The Department carried out research on the systems and practices used by other provinces across Canada to collect data on students, and worked more closely with Indian and Northern Affairs Canada in the development of policies that address accountability for vulnerable children.

Also, the Saskatchewan Special Education Review Committee issued a report in January 2000 called *Directions for Diversity – Enhancing Supports to Children and Youth with Diverse Needs*. In its report, the Committee makes numerous recommendations. In particular, it recommends:

> That Saskatchewan Education, in partnership with boards of education, develop a provincial electronic information system that follows all children and youth.

The Committee's recommendation is consistent with our recommendation. At the time of this Chapter, the Minister is reviewing these recommendations and expects to respond publicly by the fall of 2000.

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[1] Saskatchewan Education. (2000). In *Directions for Diversity – Enhancing Supports to Children and Youth with Diverse Needs*, p. v.

We encourage the Department to continue its efforts in this area.

Maintaining a relevant core curriculum

As previously stated, for the Department to be successful it must ensure the provincial curriculum reflects the knowledge and skills that people need. In 1999, the Department reported that the public, when asked about the education system, expressed concern about the preparation of students for the work force.

In addition, the Department reported that a substantial gap exists between the educational attainment of Aboriginal and non-Aboriginal students.[2] The public expects the education system to prepare all young people for the workplace as well as for life-long learning. The public expects the education system to teach students to become informed citizens who participate in society.

The Department recognizes the curriculum is key to a good provincial education system. It is responsible, by law, to develop and maintain a curriculum for the provincial K - 12 education system. All schools use the provincial core curriculum whether they are public, separate, francophone, or historical independent schools. Some private schools and some home-based educators also use the provincial curriculum to guide their educational practice. In addition, many First Nations band schools use the curriculum to ensure that students will meet the requirements for graduation in Saskatchewan.

The provincial core curriculum provides the base for what students need to learn in school and when. Maintaining that curriculum is critical to students' future success. Maintenance includes not only keeping the curriculum up-to-date or revitalizing it, but also supporting the curriculum with adequate resources and monitoring its effectiveness.

Maintaining the curriculum means using the processes necessary to "support, monitor and revitalize the existing courses of study and related materials."[3] We plan to audit these important processes and provide assurance to legislators and the public about how the Department maintains a relevant curriculum.

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[2] p. 83, Saskatchewan Education, *1999 Saskatchewan Education Indicators: Kindergarten to Grade 12*.

Our planned audit objective and approach

The objective of our audit is to assess whether the Department has adequate processes to maintain the relevance of the required areas of study within the K - 12 core curriculum. We will examine processes the Department used to maintain the core curriculum during the time period April 1999 to August 2000.

In this audit, we will focus on processes, rather than results or outputs. We will not assess the content of the core curriculum. Nor will we examine the extent to which schools use the core curriculum as intended.

As of September 2000, we had developed the criteria for this audit and determined our audit approach. In late 2000, we will examine Department processes as set out in policies, position descriptions or contracts. We will examine related Department manuals, directives and other tools for communication as well as planning and decision documents, minutes, and reports. Also, we will interview key officials of the Department. We plan to focus our audit work to ensure it is timely and useful for legislators as well as for the Department.

During all phases of this audit, we will follow *The Standards for Assurance Engagements*. The Canadian Institute of Chartered Accountants established these standards to guide the work of auditors. We will publicly report our conclusions and significant findings in our 2001 Spring Report.

Agreed upon criteria

Auditors use criteria to evaluate matters they audit. We work with external advisors and the Department to ensure our criteria are reasonable and attainable standards against which we can assess the adequacy of the Government's management practices.

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[3] p.1, Saskatchewan Education, *Actualization of Core Curriculum.* Also page 34 in the Department's 1984 foundation document *Directions.*

The following criteria are based upon our review of international literature, reports of other auditors and advice from a recognized expert in this field. The Department agrees with these criteria.

To maintain the relevance of the required areas of study within the K – 12 core curriculum, the Department should:

- determine essential learning outcomes for required areas of study
- determine gaps in the capability of the education system to achieve essential learning outcomes
- revitalize the required areas of study in the core curriculum to achieve essential learning outcomes
- manage risks associated with maintaining core curriculum
- clearly communicate expectations about core curriculum to stakeholders.

These criteria are not designed to be mutually exclusive, linear or sequential. For example, we expect the Department to communicate with others throughout all its curriculum maintenance processes.

Detailed criteria

The following briefly describes each of the above criteria. For a summary of the detailed criteria, see Exhibit 1.

Determine essential learning outcomes for required areas of study

To maintain the relevance of its core curriculum, the Department of Education needs to have processes to determine what knowledge and skills students should develop through their education (i.e., essential learning outcomes). The Department should look far ahead. It should envision the knowledge and skills that students will need in the changing environment in which they will live and work. The Department should work with others to confirm that the outcomes it promotes for its students are relevant.

Determine gaps in capability of the education system to achieve essential learning outcomes

The Department of Education should assess the achievement of current students and the effectiveness of the current core curriculum. This will help the Department identify areas where the education system has difficulty helping students achieve essential learning outcomes. These areas may represent gaps in the ability of the education system to support the core curriculum. To make the best use of its resources, the Department needs to identify priorities among the gaps.

Revitalize the required areas of study in the core curriculum to achieve essential learning outcomes

To maintain the relevance of the core curriculum, the Department should update the curriculum regularly. This is particularly important for required areas of study. The Department needs to guide the quality and timeliness of its maintenance activities (e.g., identifying clear objectives, keeping current a multi-year plan). In addition, the Department's processes for revitalizing the curriculum should include steps to assess whether the resources required to implement the curriculum are reasonable and available.

Manage risks associated with maintaining core curriculum

The Department should ensure that it understands risks that could interfere with its success in maintaining the curriculum. We expect that the Department will work with stakeholders to confirm their understanding of risks. How the Department reduces confirmed risks to an acceptable level is important for the successful implementation of the core curriculum and for the future success of students.

Clearly communicate expectations about core curriculum to stakeholders

We expect the Department to use communication processes (e.g., documents, Internet) to foster acceptance of the updated curriculum and to promote its implementation. The Department needs to ensure that key stakeholders understand each other's expectations about the curriculum.

Communicating with teachers and students should be an important part of how the Department monitors and maintains the core curriculum.

Exhibit 1 – Detailed criteria to maintain the curriculum

The Department of Education should have processes to:

1. determine essential learning outcomes for required areas of study
    - align expected student learning outcomes with Goals of Education and related principles
    - align expected student learning outcomes with long-term trends and current education agreements
    - confirm relevance of essential learning outcomes with key stakeholders

2. determine gaps in capability of the education system to achieve essential learning outcomes
    - assess results of evaluations and follow-up work
    - determine access to resources of the education system
    - identify priorities for change
    - confirm areas for curriculum change

3. revitalize the required areas of study in the core curriculum to achieve essential learning outcomes
    - guide the quality of curriculum maintenance
    - guide the timing of curriculum maintenance
    - estimate the resources required to implement necessary changes
    - field test the updated curriculum before implementation
    - follow-up to assess implementation of updated curriculum

4. manage risks associated with maintaining core curriculum
    - update understanding of significant risks
    - work with stakeholders to identify options for managing risks
    - take action to manage significant risks to an acceptable level

5. clearly communicate expectations about core curriculum to stakeholders
    - provide stakeholders with timely notice of key decisions
    - explain to stakeholders the changes made and their impact
    - promote acceptance and implementation of updated core curriculum

Audit conclusions and findings

This section contains our audit conclusions and findings for the Department and for its two agencies, the School Division Tax Loss Compensation Fund and the Correspondence School Revolving Fund for the fiscal year ending March 31, 2000.

We have not completed the audits of the Saskatchewan Learning Resources Distribution Centre Revolving Fund for the year ended March 31, 2000; and the Plan of the Teachers' Superannuation Commission for the year ended June 30, 2000.

At the time of this report, the Department has not yet provided us with the final financial statements for the Revolving Fund. We will report the results of these audits in a future report.

In our opinion:

- **the financial statements of the School Division Tax Loss Compensation Fund and of the Correspondence School Revolving Fund for the year ended March 31, 2000 are reliable;**
- **the Department had adequate rules and procedures to safeguard and control its assets except for matters reported otherwise in this Chapter; and**
- **the Department complied with the authorities governing its activities and those of its two agencies relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.**

We note the Department's 1998-99 Annual Report has not improved significantly from its 1997-98 Report.

Proper recording and reporting of pension costs needed

The Department needs to properly record and report on the annual pension costs for teachers.

As previously reported in Chapter 8 of our 1999 Fall Report – Volume 2, the General Revenue Fund financial statements and the Department's records do not include the total pension costs for the year. Pension costs administered by the Teachers Superannuation Commission form a major part of these costs.

These pension costs form part of the salaries and benefits paid to teachers for services rendered. Pension benefits, and thus pension costs, accumulate each year the teachers work. The Department is responsible for the pension costs of teachers. However, the Department does not include the full amount of pension costs incurred by the Department in its financial information.

The Department follows the accounting policy for pension costs set by Treasury Board. However, this policy is not appropriate. Using the policy, the Department records and reports only the amount of cash it pays out, rather than the cost of pensions earned by the employees.

If Treasury Board used an appropriate accounting policy and if the Department properly recorded the pension costs, its liabilities would increase by $2.5 billion and its expenditures for the year would increase by $31.4 million.

As a result, the financial records of the Department and the financial information it publicly reports are materially misstated. Also, legislators and the public are unable to properly assess pension costs. Good information is necessary for making good decisions.

1. **We recommend the Department work with Treasury Board to adopt an appropriate accounting policy that properly records and reports on pension costs.**

Status of previous recommendations

In Chapter 2 of our 1999 Fall Report – Volume 2, we made three recommendations.

The Department has not complied with our first two recommendations and the Standing Committee on Public Accounts' similar recommendations (see below). The Department shows limited progress with respect to the third recommendation.

We continue to recommend:

- the Department, working with school divisions and other stakeholders, should set public reporting requirements for school divisions for reporting on divisions' performance in achieving the Saskatchewan Goals of Education;

- the Department, working with the school divisions, should set financial reporting requirements for school divisions consistent with those recommended by The Canadian Institute of Chartered Accountants (CICA) for the public sector; and

- the Department should continue to improve the contents of its annual reports.

The Standing Committee on Public Accounts met with the Department and discussed the above recommendations. In its March 1999 report, the Committee recommended that the Department should continue to work with the school divisions and stakeholders to improve public accountability of school divisions with respect to the Goals of Education. In addition, it recommended the Department require school divisions to prepare financial statements following the CICA standards.

This section briefly discusses each area and identifies key activities the Department undertook in 1999-2000 to move towards compliance with the above recommendations.

Better reporting on performance by school divisions needed

The Department continues to collect information from school divisions necessary to prepare the Saskatchewan Education Indicators reports. These reports focus on the progress towards achievement of the Goals of Education for the education system as a whole. The reports do not address the performance of individual school divisions. The Department does not require school boards to prepare this type of information, and for most divisions, this type of information is not available to the public.

As previously reported, the Department has not yet provided school boards with guidance to prepare performance reports. Most school divisions continue to prepare only annual financial statements. Financial statements do not show progress towards attainment of goals. More comprehensive performance information continues to be needed.

In 1998, the Department set up a working group to develop an accountability framework for the education sector. In 1999-2000, the Department's participation in the implementation of the Saskatchewan accountability framework, announced in the March, 2000 *Budget Address,* has replaced the work of this group. The Department plans to collaboratively develop the education sector framework as a part of the implementation of this accountability framework.

Proper financial statements for school divisions needed

As described in Chapter 2 of our 1999 Fall Report – Volume 2, the Department needs to set proper financial statement accounting principles (standards) for school divisions.

The Department has not changed its reporting standards for school divisions to make them consistent with those of The Canadian Institute of Chartered Accountants (CICA). Use of these outdated standards by school divisions causes them to account for their activities differently from that of other educational institutions. For example, school divisions record the following as expenses in the current year while other institutions do not: debt repayments, costs they may incur in the future (i.e., reserves). Also unlike most institutions, school divisions do not show their investment in capital assets.

Based on discussions with the Department and with Saskatchewan Association of School Business Officials (SASBO), limited progress has been made. SASBO continues to meet and work on reaching agreement on determining which standards are appropriate for school divisions. At the time of this report, it had not yet agreed to adopt standards recommended by the CICA.

Reporting on performance - Annual Report

The Department did not significantly change the content of its 1998-99 Annual Report from its previous annual report.

The Department's 1998-99 Annual Report continues to describe the Department, its major activities and accomplishments. The Report describes the Department's future strategic goals. It also links the Department's goals to the activities of its branches and units.

The Report refers to two other publications entitled *Directions* and *Saskatchewan Education Indicators 1999 – Kindergarten to Grade 12*. These publications are important to understand the Department, its performance and accountability to the public.

Future reports could include a discussion of what the Department views as its measure of successful achievement of goals.

They could also include a discussion and analysis of the results of activities compared to the Department's budget and/or targets and the total cost to deliver the K – 12 education system. This would help the readers of the reports to assess how efficient and effective the Department is in achieving its goals.

Glossary

Core curriculum—the components and initiatives that are designed to support all students in their achievement of the Goals of Education. In the core curriculum, knowledge and skill are taught and learned through the integration of curriculum, instruction and assessment.

Source: Saskatchewan Education, 1999, *Actualization of Core Curriculum*, p.2.

Education system—the organizations and resources involved in the development and operation of elementary and secondary education. This includes the Department of Education, key stakeholders and learning resource providers (e.g., textbook publishers).

Essential learning outcomes—the knowledge and skills that the Department intends students to develop through their education.

Goals of Education—include expectations related to development of basic academic skills, personal and spiritual growth, interpersonal skills, decision-making, life-long learning, and being a responsible member of society.

Source: Saskatchewan Education, 1984, *Directions*, pp.26-28.

Key stakeholders—students, parents, teachers, school boards and the community.

Required areas of study—language arts, mathematics, science, social studies, health education, arts education and physical education.

Source: Saskatchewan Education, 1997, *Core curriculum: An information bulletin for administrators*.

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An overview of infrastructure risks

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Executive summary

The Government has a significant investment in infrastructure. Infrastructure is the physical assets used by the Government to provide public services. Infrastructure is a key component in the delivery of public services such as health care, education, social assistance, energy, communications and transportation. Governments need to understand the risks they face with their infrastructure that may prevent them from providing these public services. They must take appropriate action to reduce these risks to acceptable levels.

When governments do not identify their infrastructure needs they risk using or maintaining their current infrastructure ineffectively, and risk spending resources on infrastructure that will not help them achieve their goals and priorities (e.g., obsolete infrastructure).

Many organizations hold and manage public infrastructure. This makes it important that governments set clear responsibilities for infrastructure. When governments do not make responsibilities clear, they increase their risk that goals and priorities will not be achieved, that costs will be excessive, and that existing infrastructure will not be optimally used or maintained.

Governments must maintain the capacity of the infrastructure needed to deliver public services to ensure they can use it to provide expected public services. Because governments have limited resources, they sometimes choose to defer maintenance of such infrastructure. When governments defer maintenance, they risk that the infrastructure may not function as required, that future costs to repair or replace infrastructure may be excessive, and that safety of users of the infrastructure is impaired.

Governments need sound information to make decisions about infrastructure. Poor information can lead to decisions that are not cost-effective, and that make it difficult for governments to provide the expected public services. Therefore, it is important that governments keep the public informed about their decisions. When the public is not informed about government decisions, governments increase their risk that the public will not support governments' decisions on infrastructure.

Introduction

In this Chapter, we briefly describe public infrastructure. We also discuss the key risks the Government faces with its significant investment in infrastructure. We do not assess how the Government manages these key risks. We hope this Chapter will help the Legislative Assembly and the public understand these risks.

What is public infrastructure?

We define public infrastructure as all physical assets the Government uses to provide public services. Infrastructure includes physical assets used to provide public services where the Government:

- purchases, constructs and leases infrastructure (e.g., power plants, dams, roads, buildings); and
- provides money to others to operate or pay for infrastructure either wholly or in part (e.g., schools managed by school boards, roads maintained by municipalities).

As shown in Exhibit 1, the Government's infrastructure is significant - worth over $14 billion. Exhibit 1 below sets out the value of the Government's infrastructure reported in the March 31, 2000 summary financial statements and in other government reports. The Exhibit includes infrastructure the Government purchased, constructed or leased. The Exhibit does not include the value of infrastructure acquired by right (e.g., crown lands, forests, mineral rights), heritage assets (e.g., the Legislative Building) or most infrastructure where the Government provides money to others to operate or pay for infrastructure (e.g., schools, municipal roads) because this information is not readily available.

Also, the Exhibit includes computer hardware and software. Information technology assets are essential to the Government in providing public services. Because of their nature, these assets may have different risks than other types of infrastructure. This Chapter does not include specific risks that governments face with computer hardware and software. We intend to report these risks in a future report to the Assembly.

Exhibit 1

Type of Infrastructure	**Total** (in $ millions)
Machinery & Equipment	$ 310
Vehicles	132
Capital Leases	28
Materials & Supplies	50
Plants & Buildings	6,144
Construction in Progress	173
Land	102
Other	260
Net book value *	7,199
Roads & Bridges	6,000
Dams	1,500
Total replacement value of roads, bridges and dams**	7,500

Source: *compiled from the summary financial statements in the *Public Accounts 1999-2000: Volume 1: Main Financial Statements*; the December 31, 1999 annual reports of government enterprises listed in schedule 3 of those summary financial statements; and from the April 30, 2000 financial statements of the University of Saskatchewan and the University of Regina.

***1999 Annual Report of the Department of Highways and Transportation* and *SaskWater's Annual Report, 1998.*

Why is infrastructure important?

The Government uses infrastructure to deliver important services to the public. Infrastructure provides the public with ongoing value and services. These services include health care, education, social assistance, energy, communications and transportation systems.

To ensure it can provide the expected quantity and quality of public services, the Government must spend a significant amount of money each year:

- to buy infrastructure to provide services;
- to maintain the operating capacity of its infrastructure; and
- to replace ageing infrastructure that are no longer capable of providing services at a level acceptable to the public.

Unfortunately, summarized information on this government spending is not readily available to the public. In 1999-2000, the Government reported that it spent more than $652 million[1] to buy infrastructure. This amount does not include the money the Government provided to schools or municipalities for public infrastructure.

Changes in technology, ageing infrastructure, and a trend toward higher public expectations for quality of services are forcing governments to think carefully about the services they provide. In turn, governments often must acquire different types of assets to meet the needs of the public. For example, in the health sector, new technologies can allow health care professionals to diagnose patients more accurately and more quickly. However, this improved service comes at a cost. The Government must determine whether it can afford to invest in new infrastructure given that competing demands for the Government's resources always exist.

By its nature, most infrastructure requires ongoing investment of public money to ensure it is properly maintained. These costs can be significant. For example, when the Government decides to build a new dam or other water control structure, it must also consider the annual cost of maintaining that asset in a manner that allows it to provide safe and efficient service to the public.

Because it is costly to acquire, operate and maintain infrastructure, the Government needs long-term plans that clearly set out its priorities. This will help it to choose infrastructure projects wisely.

Process used to identify infrastructure risks

We identified the risks governments face with its infrastructure in a number of ways. First, we reviewed current literature published by other governments and other legislative auditors on capital asset management practices and infrastructure risks. Second, we reviewed information produced by various Saskatchewan Government organizations that manage infrastructure and noted risks they identified. Third, we used knowledge that we gained from auditing government organizations.

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[1] Source: Note 8 of the summary financial statements in the *Public Accounts 1999-2000: Volume 1: Main Financial Statements*; *Crown Investment Corporation of Saskatchewan, 1999 Annual Report*; 2000 University of Saskatchewan statement of cash flows and 2000 University of Regina statement of cash flows.

Infrastructure risks identified

Risks often relate to key decisions. Governments must make many decisions about infrastructure. These decisions involve and affect many different government organizations. For public services that require infrastructure for their delivery, the Government must decide:

- who will provide the service (i.e., the Government directly, other public organizations such as municipalities, school boards, universities, or the private sector);
- whether the Government will provide the service directly and if so, which government organization will provide the service;
- if the Government provides services through private sector organizations, how will the Government hold those private sector organizations accountable for performance;
- what infrastructure is needed to provide intended public services and when is it needed;
- what risks are associated with the infrastructure and how those risks can be mitigated;
- whether the infrastructure currently available can provide the service effectively (if so, from whom and at what cost);
- whether the infrastructure is adequately safeguarded from misappropriation and damage;
- who will own (or currently owns) the infrastructure (i.e., the Government directly or through other public organizations such as municipalities, school boards, universities);
- how long the Government expects the infrastructure to last or how long it expects to use the infrastructure to provide services to the public;
- whether is should buy, build or rent the necessary infrastructure;
- how it will finance this cost;
- what ongoing maintenance is necessary for infrastructure to ensure it operates effectively and provides service at the level expected;
- who will be responsible for the ongoing maintenance of the infrastructure including those costs;
- the cost of the ongoing maintenance and how it will be financed; and

- what they will do with infrastructure that no longer serves its original purpose.

The following list groups these decisions into five broad areas that the Government must address to successfully manage public infrastructure:

- identifying infrastructure needs (long-term planning);
- setting clear responsibility for infrastructure;
- maintaining the capacity of infrastructure;
- maintaining good information; and
- keeping the public informed.

In the next section, we briefly discuss each of these five broad areas and set out risks associated with each.

Identifying infrastructure needs (long-term planning)

It is critical that governments know what infrastructure they need to provide the expected quantity and quality of public services. For example, governments must know whether their transportation systems can accommodate expected levels of traffic (e.g., number and weight of vehicles) safely. If current infrastructure cannot provide the required level of service, governments must decide how they will provide the services and how they will pay for them.

These decisions are difficult because government decisions about infrastructure often involve many competing pressures. These pressures include competition for limited resources, difficulties in comparing benefits of alternatives (e.g., governments must decide whether society benefits more when they spend money on hospitals or on highways) and some infrastructure is subject to federal regulation or industry standards that affect the choices governments can make about the type infrastructure they can invest in.

As a result, governments must set clear priorities for the services they want to provide. They must allocate the available resources to these priorities in an effective way and they must decide if they can and should recover the costs of these services (e.g., user fees).

Setting priorities and identifying associated risks is critical because the state of infrastructure can directly impact other services provided by the Government. For example, the condition of the highways can impact economic development in the province by affecting the cost of transportation.

Clear priorities and identification of risks help to ensure governments make the appropriate trade-offs and decisions about infrastructure. Clear priorities help to ensure that individual government organizations work toward the Government's common goals; that governments have only the infrastructure they need; and that effective use of infrastructure is encouraged. If this is not done, governments risk spending resources on infrastructure projects that do not contribute to the achievement of their priorities.

Government planning often focuses on the expenditures expected in a single year or at times, the following few years. Short-term planning does not coincide with the long-term nature of infrastructure.

Governments incur significant annual costs to operate and maintain infrastructure. Governments also incur significant costs when they have to replace ageing infrastructure. Therefore, it is important that governments know the costs they should expect to incur over the useful lives of the infrastructure. These costs include the expected cost of replacing infrastructure when it can no longer provide required services at a level acceptable to the public.

When governments fail to consider the long-term costs of infrastructure, they increase their risk of not having sufficient money to support the infrastructure needed to provide the acceptable level of services to the public.

Setting clear responsibility for infrastructure

A large number of organizations hold and manage infrastructure the Government needs for the delivery of its services. These organizations include government organizations (e.g., departments, Crown corporations, boards) and other public organizations (e.g., school boards, municipalities). The Government owns and manages some infrastructure directly. For other infrastructure, the Government provides public money to operate it or to buy it even though the infrastructure is managed by other public organizations (e.g., school boards, municipalities). At other times, infrastructure is owned by one organization that relies on another organization to provide the public services (e.g., Saskatchewan Property Management Corporation owns the buildings used by the Saskatchewan Institute of Applied Sciences and Technology to deliver its courses).

Because infrastructure is widely held and complex relationships exist over its usage and financing, it is important the Government clearly set out the responsibilities of each organization for infrastructure.

When the Government uses others to manage infrastructure, the Government must hold them accountable for these activities. Also, when organizations are responsible for the performance of infrastructure in achieving program objectives, the Government should hold those organizations accountable.

When the organizations do not know or understand their responsibilities for infrastructure, the Government increases its risk that its objectives will not be achieved, that costs will be excessive, and that existing infrastructure will not be optimally used or maintained.

Maintaining the capacity of infrastructure

As previously stated, infrastructure tends to be expensive and long term in nature. Governments have limited resources to spend on buying and maintaining infrastructure. Therefore, to make appropriate decisions, governments need to know the state of the infrastructure that they directly own and manage and the infrastructure where the government provides money to others to operate and manage.

Infrastructure maintenance comprises the activities (and the related cost) that ensure the infrastructure can provide the quantity and quality of service acceptable to the public over the life of the infrastructure. For example, proper maintenance of a building can help keep it structurally sound and safe for public use.

At times, governments choose to defer the cost of maintaining infrastructure they need to deliver their public services. Deferring maintenance pushes costs into future periods to make current period spending lower.

When governments choose to defer maintenance their risk increases. Specifically, deferring maintenance increases the risk that the infrastructure will not function as required either now or in the future. That is, the level of service that the infrastructure is able to provide may not match expectations.

Deferring maintenance also often results in a higher cost to the public. Overall infrastructure costs to the public increase when governments are forced to replace infrastructure earlier or incur higher maintenance costs due to improper maintenance. Also, deferring maintenance can impact the safety of those who use the infrastructure. Governments must routinely evaluate these risks before choosing to defer maintenance.

Maintaining good information

Governments need good information to make informed decisions about infrastructure. As stated earlier, making good decisions about infrastructure is important because infrastructure is expensive and long term in nature. A bad decision today can potentially affect the nature, cost and level of service provided for several years. For example, if the Government decides to defer the maintenance of roads today it increases the cost to fix the roads later. If maintenance is deferred too long, the quality of service provided (e.g., safety and comfort) is reduced. Deferring maintenance can also increase the costs for others (e.g., costs to repair vehicle damage).

To make good decisions, governments need to know the service capacity of their infrastructure. With this information, governments can decide whether they need additional infrastructure. This information can also help governments select the most appropriate type of infrastructure for their needs.

Governments must also decide whether it is more cost-effective in the long run to own the infrastructure directly or to contract the required services from the private sector. To decide whether they should own the infrastructure, governments need sound information about the costs of acquiring, operating and maintaining infrastructure over the life of the infrastructure.

To make these decisions, governments need to know the costs they should expect to incur over the life of each alternative type of infrastructure they consider. Also, they need to know the potential risks they may face with each alternative (e.g., construction cost overruns, missed deadlines, environmental concerns). This information will allow governments to make good decisions.

Governments need periodic reports that compare planned and actual costs of infrastructure. For example, during the construction phase of an infrastructure project, the Government needs frequent reports comparing actual and expected progress and costs.

Governments also need periodic reports on the performance of their infrastructure. For example, whether infrastructure can provide the expected level of services for the duration expected. This periodic information helps governments to ensure they can identify problems and take corrective action in a timely manner.

Because many government organizations decide how to allocate their resources to infrastructure, governments need to ensure they have policies to guide these decisions with sound principles. Therefore, it is important that governments have strong policies for the acquisition, maintenance and operation of infrastructure.

When governments do not have good information from which to make their decisions, they increase their risk of making decisions that lead to excessive costs or the inability to provide necessary public services at the expected level of service.

Keeping the public informed

Infrastructure is expensive and is essential in providing public services today and in the future. The public needs to know that governments are properly managing their infrastructure.

Therefore, the public needs periodic (at least annual) reports on the state and capacity of the infrastructure, its current performance, and the current and future costs of the infrastructure. The periodic reports must be complete and concise. Without this information, the public cannot assess whether the infrastructure will provide services as expected. When governments do not provide the public with adequate information, they increase their risk that the public will not support government's decisions on infrastructure.

What's next?

Using the above risks, our Office plans to examine and report on how government organizations manage the risks they face with respect to infrastructure.

Post-Secondary Education and Skills Training

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Introduction

In this Chapter, we set out:

- a brief overview of the Department's role, goals and the key risks it faces.

- the results of our 2000 audits of the Department, and of the various funds and agencies for which it is responsible.

Understanding the Department

It is important that legislators and the public understand the role of the Department, the risks it faces, and the key control systems needed to manage those risks. This information helps them to assess the Department's performance.

Role of the Department and its goals

In 1996, the Lieutenant Governor in Council (Cabinet) established the Department under *The Government Organization Act*. On June 21, 2000, the Legislative Assembly passed a new act called *The Department of Post-Secondary Education and Skills Training Act, 2000*. This Act came into effect on September 1, 2000. This Act continues the Department.

The Department has overall responsibility for the post-secondary education and skills training system. The post-secondary system includes universities, regional colleges, SIAST and other privately- and federally-funded institutions. The system also includes student financial assistance programs like student loans and bursaries.

Specific responsibilities of the Department include:

- developing and implementing policies for post-secondary education and skills training;
- overseeing operations of the institutions delivering post-secondary education;
- working with provincially-funded institutions to acquire sufficient resources to deliver its public policy objectives;

- administering the Labour Market Development Agreement;
- providing career and employment programs and services; and
- administering and regulating training and apprenticeship programs.

We encourage Members of the Legislative Assembly and the public to obtain more detailed information about the Department. Publications are available from the Department or on the Internet at http://www.sasked.gov.sk.ca/P/departmental.

Risks the Department faces

The environment in which the Department and post-secondary institutions operate is changing. These changes present the Department with risks and challenges.

To reduce the risks and challenges it faces, the Department needs to:

- co-ordinate the efforts of the key post-secondary institutions to deliver post-secondary education and skills training effectively and efficiently;
- ensure post-secondary education and skills training responds to the needs of the public and of employers; and
- ensure reasonable access to quality education and training opportunities.

For further discussion of the Department's role, goals, key risks and challenges, see Chapter 4 of our 1998 Fall Report – Volume 2.

Related special purpose funds and agencies

The Department is responsible for the following special purpose funds and agencies:

	Year end
Apprenticeship and Trade Certification Commission	June 30
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Cypress Hills Regional College	June 30
North West Regional College	June 30
Northlands College	June 30

	Year end
Parkland Regional College	June 30
Prairie West Regional College	June 30
Training Completions Fund	March 31
Saskatchewan Indian Regional College	June 30
Saskatchewan Institute of Applied Science and Technology (SIAST)	June 30
Saskatchewan Communications Network Corporation	March 31
Southeast Regional College	June 30
Student Aid Fund	March 31

Also, the Department is responsible for the University of Saskatchewan and the University of Regina. The universities have an April 30 year-end.

As of July 1, 2000, Saskatchewan Indian Regional College (also known as the Saskatchewan Indian Institute of Technologies (SIIT)) is no longer a Crown agency. SIIT became the responsibility of the Federation of Saskatchewan Indian Nations.

Department spending

In 2000, the Department received $463.3 million (1999 - $439.1 million) from the General Revenue Fund and spent this money on its programs. Also, the Department raised $52.5 million (1999 - $21.8 million) of revenue. Of these revenues, 99% is from the Federal Government. The *Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure* (1999-2000 Public Accounts – Volume 2) reports information about the Department's revenue and expenses (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts).

The following is a list of major programs and spending as reported in 1999-2000 Public Accounts – Volume 2:

	Original Estimates	Actual
	(in millions of dollars)	
Administration & shared services	$ 2.7	$ 3.4
Accommodation & central services	4.1	3.5
Student support	67.6	61.1
Post-secondary education	301.2	309.0
Training programs	46.5	43.4
Career and Employment services	38.0	35.5
Saskatchewan Communications Network	7.3	7.3
	$ 467.4	$ 463.2

Each special purpose fund tables separate financial statements in the Legislative Assembly each year. Each agency tables an annual report each year that contains its audited financial statements.

The following summarizes the revenues and assets held by the special purpose funds and agencies. The revenues include money provided by the Department.

Table 1

Fund or agency	2000 Total revenues	1999 Total revenues	2000 Total assets held	1999 Total assets held
	(Actual in millions of dollars)			
New Careers Corporation[1]	$ ---	$ 4.75	$ ---	$ ---
Regional Colleges (combined)	52.3	49.5	29.6	25.1
Saskatchewan Communications Network Corporation	8.1	8.2	2.6	3.8
SIAST	121.7	120.1	42.2	40.4
Student Aid Fund	29.0	37.3	53.9	65.9
Training Completions Fund	0.08	0.04	0.2	0.1

Source: audited financial statements

The University of Regina for its year ended April 30, 2000 held assets of $132 million and raised revenues of $113 million of which about $56 million came from the Department. The University of Saskatchewan for its year ended April 30, 2000 held assets of $634 million and raised revenues of $425 million of which about $198 million came from primarily the Department and the Department of Health.

Audit conclusions and findings

In this Chapter, we report the audit conclusions and findings for the 2000 audits of the Department, of Saskatchewan Communications Network Corporation (SCN) and SIAST, of its two funds – Student Aid Fund and Training Completions Fund, and of two of its regional colleges – Northlands and South East.

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[1] New Careers Corporation was wound up effective March 31, 1999.

For SIAST, our Office carries out the audit jointly with KPMG. We also worked with the appointed auditors of the following colleges and SCN using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html).

Crown agency	Appointed auditor
SCN	Hill McKillop Orr & Company
Carlton Trail Regional College	E.J.C. Dudley & Co.
Northlands College	Woodhouse, Tucker & Partners
Southeast Regional College	Hillstead, Melanson

In 1998-99, we reviewed and changed our involvement in the audits of the colleges. Exhibit 1 sets out our current involvement and its basis.

Exhibit 1 – Audit involvement in regional colleges

Based on the following factors, we work more directly with three colleges and their auditors on a cyclical basis each year. The factors are that:

- the colleges generally operate in a common environment and face similar issues.
- we have had few disagreements with the government-appointed auditors in the audits of the colleges.
- the financial accounting control systems at each college have improved over time.
- the Department helps the colleges strengthen their financial planning and reporting systems. This includes active involvement with the colleges in the implementation of the Saskatchewan Training Strategy, including the development of an accountability framework.

Also, we continue to require all College-appointed auditors to provide us with their reports. We review these reports to determine if new significant matters are identified for that College. If so, we work with the related appointed auditor on these matters.

In 2000, we worked more directly with three colleges. They were Carlton Trail, South East and Northlands. In 2000, the auditors of the other colleges did not report any new matters for the College they audited.

For the Saskatchewan Indian Regional College, we did not report any matters since the new matter reported by its appointed auditor related to non-compliance with laws that, as of July 1, 2000, no longer apply to the College.

We are unable to report on the audit of Carlton Trail Regional College because the appointed auditor did not have his work complete in time for this Chapter. Also, the audit of the Apprenticeship and Trade Certification Commission is not yet done due to established priorities. We plan to report the results of these audits in our Spring 2001 Report.

In our opinion and in the opinion of the appointed auditors:

- **the 2000 financial statements of the SCN, SIAST, Training Completion Fund, Student Aid Fund, South East Regional College and Northlands College are reliable;**

- **the Department and the agencies had adequate controls to safeguard and control public money and comply with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing, and those of the above Funds except for the matters described in this Chapter; and**

- **the Department and the above agencies complied with the authorities governing their activities and those of the above Funds except for matters described in this Chapter.**

Status of previous recommendations relating to the Department and Student Aid Fund

In this section, we set out previously reported recommendations that are not yet complied with and are of continued relevance. We then identify key activities that the Department has undertaken to move towards compliance with these recommendations.

We continue to recommend:

- the Department should provide legislators and the public with a clearer description of the accountability relationships between the Department and the key provincial post-secondary institutions;
- the Department should bring its planning efforts that focus on individual components of the post-secondary sector together to form a plan for the entire post-secondary education and skills training sector, and then report publicly against this sector-wide plan;
- the Department should continue to improve its annual reports;
- the Department should ensure its systems identify and track all costs related to labour market activities and provide regular reporting throughout the year;
- the Department should work with the Federal Government to gain a common understanding on eligible costs before the Department prepares its budget and incurs related costs; and
- the Department should verify critical information on student loan applications.

Clarifying accountability relationships

In December 1999, the Department completed *An Accountability Framework for the Saskatchewan Training Strategy*. The Report is publicly available from the Department. The Report clearly sets out an accountability framework for the post-secondary education and skills training system. The Report describes the work that the Department has done to date and the work necessary to implement the framework. At this time, the framework applies to the goals established within the Saskatchewan Training Strategy. It is consistent with the Saskatchewan's Accountability Framework recently adopted by the Government. We think the implementation of the sector framework will greatly assist the Department in developing a clearer description of its key accountability relationships.

Developing a sector-wide plan and reporting on performance

In 1999-2000, the Department worked with key post-secondary institutions to develop a sector strategic plan. This is a draft plan and not yet publicly available. The Department advises us that once the plan is finalized that it plans to report publicly against it.

At the time of the audit, the Department's 1999-2000 annual report was not yet released. Thereby, we are unable to report on changes to the report.

Tracking and reporting on labour market activities

The Department needs to make continued improvements on how it monitors its activities related to the Labour Market Development Agreement (LMDA).

In 1999-2000, the Department completed its first full year for various labour market activities. Under the LMDA, the Department received $42.8 million (1999 – $8.4 million) from the Federal Government for various labour market development activities and incurred about $48 million (1999 - $12.6 million) of eligible expenses. The amount that the Department received is the maximum amount of money available from the Federal Government under the LMDA for both years.

To retain the federal money, the Department must provide the Federal Government with certain information and an audited annual statement. To gather this information and to prepare the required statement, the Department must track its costs and activities differently.

Throughout the year, the Department must identify the amounts it expected to pay and amounts it paid to all employment insurance clients. It also must routinely identify and track costs associated with the administration of labour market development activities. These include costs associated with opening and running the client service offices located throughout the province, and with making necessary information system changes. The Department needs this timely information to accurately calculate, predict and monitor its revenue (i.e., amounts expected to recover from the Federal Government) and expenses.

During 1999-2000, the Department made a number of significant improvements from the prior year. However, two problems continued. First, the Department did not have all the necessary information throughout the year to monitor and report on its labour market activities eligible for funding under LMDA. Second, at year-end, it had difficulty preparing the required statement of eligible costs incurred under LMDA accurately (annual statement). The following describes each problem.

The Department did not have a way to determine its eligibility to receive money under LMDA for certain clients or to identify the amount of certain administrative costs (i.e., employee salaries and benefits) it could recover under LMDA.

Payments made under certain employment and career programs are eligible costs under LMDA if the clients of the programs are also employment insurance clients. For certain programs, the Department relied on the Federal Government to determine if its clients were also employment insurance clients and thereby if the related payments were eligible costs. The Federal Government did not provide this information until after year-end (i.e., May 2000). Also, the Department did not determine the extent of eligible employee salaries and benefits until almost year-end (i.e., February 2000).

As a result, the Department did not have complete and timely information throughout the year to determine the amount of eligible costs it could recover under LMDA.

In addition, the Department had some difficulty in preparing its 1999-2000 annual statement at year-end. During the audit, we identified several significant errors. For example, the Department calculated the amount of eligible "provincial benefits and measures" expenses for several programs incorrectly. Also, it included ineligible expenses. The Department corrected these errors before it finalized the annual statement.

Developing a common understanding on eligible costs

In 1999-2000, the Department reached a common understanding of eligible costs between the Department and the Federal Government more quickly than in the prior year. The Department and the Federal Government agreed upon the eligibility of programs before the start of the fiscal year except for two small programs where agreement was reached shortly after the fiscal year began. These programs had eligible expenditures of over $1 million.

Verification of critical information on student loans

The Department does not adequately verify critical information on student loan applications.

In 2000, the Department improved some of its verification procedures. However, the Department does not yet verify all critical information. By not verifying all critical information, the Department is at risk of incurring unnecessary costs and of not complying with the law.

During the year, the Department approved approximately 17,000 student loans (1999: 16,000 loans) for approximately $128 million (1999: $117 million). This includes $58 million of Saskatchewan Student Loans and $70 million of Canada Student Loans. In addition, the Department paid grants to students and incurred other costs of $34 million (1999: $32 million). These grants and other costs depend on the amount of loans awarded to students. When the Department approves loans to students in excess of the amount they are entitled, these grants and other costs also increase.

Verifying critical information on student loan applications ensures only eligible students receive aid in the correct amounts. The Department must balance its costs to verify applicant information with the need to provide students with timely financial assistance.

The Department must decide which applicant information to verify before approving loans and which information to verify at a later date. Sufficient and timely verification of critical information reduces the Department's risk of incurring significant additional costs or of not complying with the provisions of *The Lender-Financed Saskatchewan Student Loans Regulations*.

During the year, the Department continued with previously established verification procedures. It also requested more timely information on students' study-term income. This additional step enabled the Department to adjust the amounts of students' loans on a more timely basis, and thus reduce the amount of overpayments.

Critical information, which the Department does not yet sufficiently verify, includes whether students remain enrolled as full-time students throughout the school year, attendance of 90% of classes (for students attending schools that monitor attendance), the number of dependants, single parent status, receipt of day-care allowances, alimony/child support payments, and scholarship funds.

Since the Department does not yet sufficiently verify the above information and it is not practical for us to do so, we are unable to report the extent to which students received incorrect amounts of aid.

For several years, we have reported the need for additional verification. In April 1999, the Standing Committee on Public Accounts (PAC) concurred with our above recommendation. PAC previously concurred with the same recommendation in December 1996.

The Department advised us it continues to take steps to verify additional application information. In January 2000, the Department identified students who reported day-care expenses or alimony/child support payments. The Department intends to verify whether these students received day-care allowances reported or made the alimony/child support payments reported. Also, in 2000-01, the Department plans to verify whether students attending private schools are meeting the requirement of attending at least 90% of their classes.

Status of previous recommendation relating to the Regional Colleges

We continue to recommend that the colleges improve the performance reports used by the boards of directors to monitor the colleges' performance.

Since 1996, our Office has reported on the boards' need for better performance information. In February 1998, PAC concurred with our recommendation.

This section sets out our findings relating to the audits of Northlands and South East regional colleges. We note appointed auditors of the other colleges report similar findings.

Some progress noted on improving performance measurement and reporting

Northlands and South East regional colleges need to continue to improve how they measure and report on their performance.

To measure and report on performance, the Colleges must set clear objectives that include targets quantifying what is to be achieved within a specified timeframe. Once these are set, the Colleges must ensure they have adequate systems to accurately capture the relevant data. The Colleges should report on their performance by showing a comparison of the target to the actual data and explaining any differences that arise.

The Colleges continue to work on identifying key performance measures, and developing systems to track information on them. This will enable the Colleges to provide their boards, the Department, the Assembly and the public with information necessary to judge their performance.

Social Services

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Introduction

The Department of Social Services' mandate is to:

- help families care for and support their members;
- provide basic income support to people in need;
- work to reduce the risks and disadvantages of poverty;
- protect children from abuse and neglect;
- provide services for youth in conflict with the law;
- promote a standard quality of daycare; and
- support independent community-based services for people with mental and physical disabilities.

The Government's summary financial statements show social services and assistance expenditures of $785 million for the year ended March 31, 2000 (March 31, 1999 - $747 million).

The following table shows the social services expenditures of various Government agencies.

	(in millions of dollars) 2000	1999
Department of Social Services	$ 578	$ 569
Department of Municipal Affairs, Culture and Housing	148	111
Department of Post-Secondary Education and Skills Training	49	49
Other Government agencies	10	18
	$ 785	$ 747

During the year, the Department received $578 million from the General Revenue Fund to deliver its programs. The Department also earned revenues of $18 million. Information about the Department's revenues and expenditures appear in the *Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure* (1999-2000 Public Accounts – Volume 2) (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts).

The following is a list of major programs and spending as reported in the 1999-2000 Public Accounts – Volume 2:

	Original Estimates	Actual
	(in millions of dollars)	
Income Support	$ 351	$ 348
Family and Youth Services	84	84
Community Living	59	59
Regional Service Centres	45	48
Child Care	18	17
Accommodation and Central Services	14	14
Other	7	8
Total	$ 578	$ 578

Key risks the Department faces

It is important that legislators and the public understand the key risks facing government organizations and how those risks are managed. Sharing our understanding with legislators and the public will help them better understand and assess government organizations' performance.

We identified five key risks facing the Department. To be successful, the Department needs to:

- identify the long-term social service needs of Saskatchewan residents that fall within its mandate;
- decide the types, volumes and standards of essential social services the Department needs to provide to meet those long-term needs, make those services available, and monitor service delivery;
- contribute to public-policy decisions and influence public attitudes on people's social well-being;
- obtain sufficient resources to deliver its services; and
- ensure the Legislative Assembly and the public know whether the Department is doing the right things well.

In Chapter 22 of our 1997 Fall Report – Volume 2, we describe more fully these risks and the Department's systems and practices to manage these risks.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2000:

- **the Department had adequate rules and procedures to safeguard and control its assets except as described in this Chapter; and**
- **the Department complied with the authorities governing its financial reporting, safeguarding assets, revenue raising, and spending except as described in this Chapter.**

We also report our assessment of the Department's 1999-2000 annual report.

Internal audit reports are not timely

The Department's internal audit function needs to be independent from program managers. Also, internal audit needs to improve the timeliness of its reports.

Internal audit's role is to provide senior management with assurance that the Department's internal controls over its Income Support Programs (e.g., Social Assistance and the Saskatchewan Employment Supplement) are adequate to safeguard public money and to ensure that only eligible recipients receive the correct amount of assistance.

The Department needs to ensure that internal audit has the necessary independence from program managers so that internal audit can report with confidence to senior management. In our 1999 Fall Report – Volume 2, we recommended that the internal audit function should report directly to a committee of senior Department officials (e.g., an audit committee).

In March 2000, the Department formed an audit committee of senior managers. Since the committee was formed late in the year and did not have significant activity before we completed our audit, we were unable to assess its effectiveness. Next year, we will assess its effectiveness.

Also, internal audit should issue timely reports so the reports are more useful. For example, internal audit did not issue its annual audit of the Saskatchewan Assistance Plan for the year ending March 31, 1999 until May 2000.

1. **We recommend that the Department issue timely internal audit reports.**

Rules and procedures need to be followed for social assistance payments

The Department needs to follow its rules and procedures to ensure only eligible persons receive assistance and that they receive the correct amount of assistance.

The Department paid $254.2 million in social assistance for the year ended March 31, 2000. The Department has rules and procedures for paying assistance. The Department also has rules and procedures to monitor how well it ensures only eligible persons receive the right amount of assistance. Examples of its monitoring rules and procedures are:

- verifying and documenting the eligibility of recipients (e.g., living arrangements, employment status, personal income and assets);
- auditing assistance payments after payments are made, compiling the results and comparing the results with a pre-established acceptable error rate;
- periodic comparison of social insurance numbers with other provinces to ensure that a recipient is only collecting benefits from one province; and
- matching information reported by recipients to other government agencies (e.g., Canada Customs and Revenue Agency) to ensure that recipients are reporting all income to case workers.

Due to the nature of social assistance, errors in assistance payments are unavoidable. The Department has decided to reconsider its procedures for paying social assistance if the results of its audit procedures show errors more than four percent of total assistance payments. We think the four percent error rate is reasonable for social assistance payments.

We found that the Department did not adequately follow its established rules and procedures to ensure that only eligible persons received the correct amount of assistance. The Department did not conduct adequate annual reviews in 16% of the cases we examined. Annual reviews (including home visits) help the Department to verify that the recipient's circumstances continue to qualify the recipient for assistance. A recipient's circumstances include living arrangements, employment status, personal income and assets.

Because the Department did not adequately follow its rules and procedures, it did not know that only eligible recipients received assistance and that they received the correct amount of assistance. Also, because the Department did not adequately follow its rules and procedures, we are unable to determine that only eligible recipients received assistance and that they received the correct amount of assistance.

2. **We recommend that the Department conduct adequate annual reviews to verify that only eligible recipients receive assistance and that they receive the correct amount of assistance.**

The Department told us "the social assistance redesign project currently underway will involve the simplification and standardization of the rules to maintain the program."

Internal audit needs to review payments for family and youth program

The Department should continue to verify that its new Family and Youth Automated Payment System (FYAP) is adequate to ensure payments are made in accordance with the law and the Department's policies.

The FYAP system was designed to improve compliance with the law and the Department's policies, increase payment efficiency and improve management information.

In 1999-2000, the family and youth program made payments of $36.4 million for foster care, family support, assisted adoption, and support services to youth. Of these payments, $25.4 million were made through the new FYAP information system.

The Department's internal audit function did not test the payments produced by FYAP on a continuing basis as planned. The testing of system controls ensures payments, both automated and manual taken as a whole, are made in accordance with the law and the Department's policies. This independent review is very important when a new system is implemented. The Department needs to know if controls are properly designed and are operating effectively.

As a result, the Department does not know if payments produced by FYAP are made in accordance with the law and the Department's policies. Accordingly, we are unable to determine that only eligible recipients received assistance and that they received the correct amount of assistance.

3. **We recommend that the Department's internal audit function review the payments made from the new Family and Youth Automated Payment System to ensure payments are made in accordance with the law and the Department's policies.**

Information technology development practices need strengthening

In our 1999 Fall Report – Volume 2, we recommended that the Department strengthen its project management practices by incorporating the lessons it learned from its recent information technology (IT) projects into its approved project management policies and procedures.

The experience of the IT industry shows that without good project management practices most new IT systems do not meet user requirements, costs are exceeded and the systems are late. To reduce these risks, organizations need policies and procedures to inform, train, and guide staff on good project management practices (see Exhibit 1). Also, to ensure project teams follow approved policies and procedures, an effective project management structure needs to be set up to oversee projects.

Exhibit 1 – Project Management Policies and Procedures: Best Practices

Organizations need policies and procedures that set out a project management framework to ensure:

- Projects are approved based on reliable estimates (e.g., project benefits, cost, time required to complete the project, and project risks);
- Project products (i.e., system requirements) are clearly identified and their development assessed to ensure quality standards are met;
- Projects are effectively tracked (e.g., comparisons to budget of actual time, cost, and work completed to date) and the results consistently reported to management;
- Project risks are identified and managed;
- Project teams have appropriate skills and training;
- User groups are kept informed of progress and receive effective training in using the delivered products; and
- Project plans incorporate the lessons learned from previous projects.

We note that the Department has made significant progress in strengthening its processes for managing IT projects. This includes creating draft policies and procedures and establishing a Project Management function to provide project management expertise and to ensure policies are followed. However, more work needs to be done. For example:

- more policies and procedures are needed to fully set out an IT project management framework for the Department;
- the Department's senior management team needs to review and approve draft policies and procedures to ensure they meet the Department's needs; and
- the Department should adopt an IT project management methodology and ensure staff are adequately trained in its use to ensure its policies and procedures are effectively implemented.

4. **We recommend that the Department continue to strengthen its policies and procedures for developing and implementing new Information Technology.**

Maintenance (child support) enforcement needs improvement

The Department needs to follow established regulations, policies and procedures to determine whether custodial parents receive the correct amount of social assistance.

The Department requires recipients of social assistance to pursue other means of support before being eligible for assistance. A custodial parent receiving assistance is required to pursue child support from the other parent, if obtaining such support is possible. The Department reduces the amount of assistance provided to the custodial parent through the Saskatchewan Assistance Program by the amount of child support received except for the new Saskatchewan Employment Supplement (SES) program. The SES program provides income support to eligible custodial parents who receive child support.

We found there was insufficient evidence that case workers ensured recipients made a reasonable effort to pursue child support from the other parent. The Department needs to document the results of its follow-up of procedures to ensure custodial parents are pursuing child support. Also, without evidence that case workers ensured custodial parents pursued child support, we are unable to determine whether custodial parents received the correct amount of social assistance.

We also reported this matter in our 1998 and 1999 Fall Reports – Volume 2. At its January 1999 meetings, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that the Department follow established regulations, policies and procedures to ensure custodial parents receiving social assistance pursue child support.

The Department told us when it redesigns its income security process it will establish more simplified processes to assist recipients seeking maintenance. The Department also told us it will work with the

Saskatchewan Legal Aid Commission to improve maintenance enforcement.

Reports from community based organizations need improvement

The Department needs to ensure that community based organizations (CBOs) submit required reports to the Department. In addition, the Department should work with CBOs to establish performance measures and targets that allow the Department to assess the CBOs' progress in meeting the Department's objectives.

In 1999-2000, the Department paid $54 million to over 250 CBOs that provide social services for the Department. CBOs are non-profit organizations that provide a wide range of programs to local communities for the Department. These programs include group homes, services to enable people to live in their own homes (who otherwise could not), early childhood intervention, and foster care.

Service agreements require the CBOs to provide the Department with quarterly and annual financial reports including a comparison of actual spending to planned spending and an explanation of differences. The service agreements also specify the dates the Department is to receive the reports. The Department monitors the CBOs to ensure the money they receive is spent as intended.

We examined the quarterly and annual financial reports of 19 CBOs. Ten of those CBOs submitted at least two quarterly reports late or not at all. In addition, the Department did not perform timely reviews on at least two of the quarterly reports for 12 CBOs. Two CBOs did not submit their annual reports. The Department did not perform timely reviews on six annual reports.

As a result, the Department does not know if all CBOs are achieving the Department's financial accountability objectives.

The service agreements also require the CBOs to describe their operational objectives (e.g., foster children are well cared for) and the policies and procedures designed to achieve those objectives. The Department's staff make periodic visits to the CBOs to informally assess whether they are achieving the Department's objectives. However, the Department does not require the CBOs to establish performance measures and targets to assess the CBOs' progress in meeting the Department's objectives.

As a result, the Department does not know if the CBOs are achieving the Department's operational objectives.

We also reported this matter in our 1997 to 1999 Fall Reports – Volume 2. At its January 1999 meetings, PAC agreed with our recommendations.

We continue to recommend that the Department ensure all CBOs submit timely performance reports to the Department as required by agreements.

We continue to recommend that the Department perform timely reviews on all the performance information submitted by the CBOs.

We continue to recommend that the Department work with CBOs to establish performance measures and targets that better allow the Department to assess the CBOs' progress in achieving the Department's operational objectives.

Annual report needs improvement

We reviewed the Department's annual report for the year ended March 31, 2000. In Chapter 1 of our 2000 Spring Report we provide guidance for how annual reports can be improved.

More specifically, we think the Department's annual report should explain the Department's key risks in achieving its objectives and the controls in place to manage those risks. To assess the Department's performance, the Legislative Assembly and the public need to know how the Department is managing its key risks. We have set out what we think are the Department's key risks on page 218.

The Department's annual report does not specifically address its key risks or explain the systems and practices it uses to manage these risks.

The annual report sets out the Department's operating goals and objectives, and activities to achieve them. The report, however, does not state whether the Department has progressed towards its goals and objectives. Also, the report does not set out the Department's performance measures and targets.

The annual report shows the Department's financial operating results. It also shows the Department's investment in capital assets, but it does not show what else it owns and owes. For example, the report does not disclose the Department's accounts receivable or financial commitments.

Public confidence in the Department's ability to meet its objectives is important to the Department's success. We think public confidence will be strengthened if the Department improves its accountability through a better annual report. In addition, we think strengthened accountability will lead to better management.

We also reported this matter in our 1997 to 1999 Fall Reports – Volume 2, regarding previous annual reports. At its January 1999 meetings, PAC agreed with our recommendation, while recognizing the difficulty of setting measurable performance target indicators in a single year.

We continue to recommend, that in its annual report to the Legislative Assembly, the Department describe how it manages the key risks it faces.

We continue to recommend that the annual report provide a summary of the Department's financial and operational plans, performance targets and actual results.

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Justice

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Introduction

The mandate of the Department of Justice is to promote safe communities, social and economic order, and fair and just relations among people through the operation of an independent, impartial and effective justice system that upholds the rule of law and defines the basic legal rights of citizens.

The Department administers justice services, police services, and adult corrections in the Province. The Department also administers registry systems for corporations, personal property and land titles. Effective January 2000, the Information Services Corporation of Saskatchewan, (formerly the Saskatchewan Land Information Services Corporation), assumed the responsibility for administering land titles. The Department also regulates pensions, credit unions and businesses.

The Government's summary financial statements show protection of persons and property expenditures of $262 million for the year ended March 31, 2000 (March 31, 1999 - $230 million). The following table shows the protection of persons and property expenditures of various Government agencies.

	(in millions of dollars)	
	2000	1999
Department of Justice	$ 229	$ 221
Less expenditures by Justice for purposes other than the protection of persons and property	(14)	(13)
Information Services Corporation of Saskatchewan	24	---
Department of Labour	11	11
Department of Municipal Affairs, Culture and Housing	9	6
Other Government agencies	3	5
	$ 262	$ 230

During the year, the Department received $229 million from the General Revenue Fund to deliver its programs. The Department also earned revenues of $78 million. Information about the Department's revenues and expenditures appear in the *Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure* (1999-2000 Public Accounts – Volume 2) (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts).

The following is a list of major programs and spending as reported in the 1999-2000 Public Accounts:

	Original Estimates	Actual
	(in millions of dollars)	
Community justice	$ 76	$ 76
Adult corrections	51	54
Court services	24	28
Registry and regulatory services	14	19
Accommodation and central services	17	15
Legal services	15	15
Administration	6	6
Boards and commissions	15	16
	$ 218	$ 229

The Department is also responsible for the operations of several trust and special purpose funds and Crown agencies with years ending March 31. These are:

Agricultural Implements Board
Correctional Facilities Industries Revolving Fund
Judges of the Provincial Court Superannuation Plan
Law Reform Commission of Saskatchewan
Office of the Rentalsman Trust Account
Provincial Mediation Board Trust Account
Public Trustee for Saskatchewan
Queen's Printer Revolving Fund
Saskatchewan Legal Aid Commission
Trust accounts for courts, local registrars, and sheriffs
Victims' Fund

Key risks the Department faces

To assess the performance of the Department, it is important for legislators and the public to understand the Department's key risks and how it manages them.

We identified five key risks facing the Department. The Department needs to:

- deal seriously with crime;
- contribute to Aboriginal justice reform;
- promote social justice;
- resolve disputes appropriately and effectively; and
- provide effective and efficient services and support economic development.

For additional discussion of these key risks and the Department's strategies to manage them, see our 1998 Fall Report – Volume 2.

Our audit conclusions and findings

We have completed our audits of the Department of Justice, the special purpose funds and the Crown agencies listed on the previous page except for the Public Trustee for Saskatchewan. We report the results of these audits in this Chapter. We will report the results of the Trustee's audit in a future report.

In our opinion, for the year ended March 31, 2000:

- **the financial statements for the funds and agencies are reliable;**

- **the Department, its funds and its agencies had adequate rules and procedures to safeguard and control their assets except where we report otherwise in this Chapter; and**

- **the Department, its funds and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.**

We also report our assessment of the Department's annual report on page 238.

Court information system needs improvement

The Department needs to improve its court information system to ensure court decisions are carried out and to ensure the financial information used for decision-making is accurate.

Court decisions are made for numerous offences under various provincial and federal laws. The Department records court decisions, including fines assessed, for each offender in the Justice Automated Information Network (JAIN). The Department also records monetary and non-monetary fine "payments" in the JAIN system. Non-monetary payments can occur when offenders select the fine option program alternative to pay their fine (i.e., community service) or when they serve jail time rather than pay their fine.

The Department must ensure the accuracy and integrity of the information in the JAIN system to ensure court decisions are carried out. To do this, the Department must ensure what is supposed to get recorded in the JAIN system is recorded, changes to the information in the system are authorized and properly made, and the information stays in the system until the court order is carried out.

Also, the Department uses the JAIN system to determine the amount of uncollected fines throughout the year. Therefore, the Department must also ensure the accuracy and integrity of the financial information contained in the JAIN system.

The Department does not ensure all changes to information in the JAIN system are properly authorized. Also, the Department does not know if all authorized changes are made and made properly. For example, the Department is unable to reconcile the uncollected fines at the beginning of the period with the uncollected fines at the end of a period when taking into consideration new fines ordered, payments received, and adjustments made during the period. For the year ended March 31, 2000, this unreconciled difference was approximately $336,000 (on ordered fines and late payment fees of $11.4 million). In the prior year, the unreconciled difference was $479,000 in the opposite direction.

As a result, we think the Department does not know if all court decisions are carried out. Also, the financial information the Department used for decision-making is not accurate.

We reported this matter in our 1998 Fall Report – Volume 2. On January 4, 1999, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation.

We continue to recommend the Department should improve its procedures for ensuring the accuracy and integrity of its court information system.

The Department told us, that during the year an internal financial integrity review was completed to improve the accuracy and integrity of the JAIN system. As a result of this review, new hardware was purchased in July 2000 and installed which will enable software enhancements that the Department thinks may improve the accuracy of the JAIN system.

Fine collection procedures need review

The Department should review its procedures for monitoring and collecting court-ordered fines.

During the year ended March 31, 2000, the Department recorded total fine revenue of $11.4 million. The average total fine revenue over the last five years is $11.1 million per year.

The number of unpaid fines is increasing. Although, the total fine revenue remains constant from year to year, the amount of fine revenue expected to be collected has decreased from 84% in 1996 to 75% in 2000.

Offenders can pay their court ordered fines with money, by fine option (i.e., community service), or time served in jail. From March 31, 1996 to March 31, 2000, the number of offenders who paid their court-ordered fines by fine option and time served decreased significantly. For the year ended March 31, 1996, the Department received payment of court-ordered fines through fine option and time served of $2.4 million. For the year ended March 31, 2000 the Department received payment of court-ordered fines through fine option and time served of $1.1 million.

The Department uses the following collection procedures to collect unpaid fines. When a court orders a fine, the court states when the offender must pay the fine. If the fine is not paid by the date on the court order, the Department sends a letter requesting payment. If the fine is still unpaid, the Department, depending on the type of fine, uses driver license non-renewal and collection agencies to collect unpaid fines.

In 1993, the Department established the Fine Collection Review Committee (Committee) to review its fine collection program. The mandate of the Committee is to recommend options for increasing the collectibility of fines.

In August 1995, the Committee made sixteen recommendations. The Department has implemented a number of these recommendations that increase the likelihood that fines will be paid. For example, it has allowed offenders to pay fines by credit or debit card; it has partnered with Saskatchewan Government Insurance (SGI) to prevent offenders from renewing their license if they have unpaid fines; and it has assigned unpaid fines to collection agencies.

The Department has pursued but not fully implemented a number of significant recommendations. These include:

- developing comprehensive, accurate financial reports so that management can compare actual collections with expected collections;
- making agreements with other provinces to use the driver licence non-renewal process for out-of-province persons who have not paid Saskatchewan fines; and
- proposing to amend laws to refuse vehicle registration at SGI for persons with unpaid fines. This method of encouraging fine payments is used in other provinces.

The Department has not established what performance is expected and what performance measures are needed to monitor progress, i.e., the Department needs to determine the percentage of fines it expects to collect and at what cost. As a result, the Department does not know if its fine collection procedures are effective.

The purpose of a fine is to deter the public from violating laws. If collection is not vigorously pursued, fines will not serve as an effective deterrent. This will jeopardize the safety of society.

We reported a similar matter in our 1998 Fall Report – Volume 2. On January 4, 1999, PAC considered this matter and agreed with our recommendation and added:

> Further where possible that procedures be developed to ensure that when repeat offenders appear in the court, the sentencing judge will be informed if previous fines are unpaid.

We continue to recommend the Department should review its procedures for collecting fines including:

- implementing the recommendations of the Fine Collection Review Committee;
- establishing performance targets for fine collections and the performance measures needed to monitor progress in achieving the desired targets; and
- ensuring that when repeat offenders appear in court, the Department informs the sentencing judge of any unpaid fines.

The Department told us it is continuing to pursue the implementation of the recommendations made by the Fine Collection Review Committee and is monitoring other jurisdictions for additional options to improve its collection of fines.

The Department also told us it:

> … did consider the recommendation of the Standing Committee on Public Accounts and believes considerable work and staff resources would be required to provide the information and is unsure whether the judiciary would find it useful. Because the judiciary is an independent body, information is usually provided only when it is requested.

Contingency plans required

The Department needs a written, tested and approved contingency plan for its information technology (IT) systems.

The Department depends on its IT systems to carry out its programs and services. To provide continuous service, the Department must ensure its IT systems and data are available when needed. If they are not, the Department faces increased risk because of the possibility:

- it may miss commitments, need to delay decisions and lose essential data; and
- it may face increased program and service costs and declining public confidence in the Department.

We also reported this matter in our 1997 Spring Report and 1997 Fall Report - Volume 2 and in previous reports. On October 8, 1998, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Department prepare a written, tested and approved contingency plan for its IT systems.

The Department told us it is still developing contingency plans for its IT systems. Plans have been delayed due to the extensive work it performed during 1999 to ensure that all of its systems were Year 2000 compliant. The Department has developed and tested a contingency plan for one of its systems.

Annual report needs improvement

We reviewed the Department's annual report for the year ended March 31, 2000. In Chapter 1 of our 2000 Spring Report, we provide guidance for how annual reports can be improved.

More specifically, we think the Department's annual report should explain the key risks the Department must manage well in order to succeed. To assess the Department's performance, the Legislative Assembly and the public need to know how the Department is managing its key risks. We have set out what we think are the Department's key risks on page 233.

The Department's annual report does not specifically address its key risks or explain the systems and practices it uses to manage these risks.

The annual report sets out the Department's overall goals, the objectives by program, and it describes the program activities intended to achieve the objectives. It does not state whether the Department achieved its goals. Also, the report does not set out performance measures and targets for the Department.

The annual report shows the Department's financial operating results. It also shows the Department's investment in capital assets, but it does not show what else it owns and owes. For example, the report does not disclose the Department's accounts receivable or financial commitments.

Public confidence in the Department's ability to meet its objectives is important to the Department's success. We think public confidence will be strengthened if the Department improves its accountability through a better annual report. In addition, we think strengthened accountability will lead to better management.

1. **We recommend that the Department's annual report describe:**

    - **how the Department manages the key risks it faces;**
    - **the Department's performance measures and targets and actual results compared to plans; and**
    - **what the Department owns and controls.**

The Department told us it prepares its annual report in accordance with government guidelines for preparing annual reports.

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First Nations Fund

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Introduction

The Saskatchewan Gaming Corporation Act (Act) established the First Nations Fund (Fund). Cabinet appointed the Trustees for the Fund. Accordingly, the Fund is a Crown agency under *The Provincial Auditor Act*.

The Trustees are stewards of public money and are responsible for carrying out economic development, social development, justice, health, and other initiatives related to Indian Bands as required by the Act. If the public is not satisfied with how the Trustees administer the Fund they cannot replace the Trustees. The only recourse available to the public is through Cabinet. Cabinet is responsible to ensure the Trustees fulfil their responsibilities under the Act. The Act also provides Cabinet with the powers to make regulations respecting any matter that Cabinet considers necessary.

Cabinet appointed KPMG as the auditor of the Fund.

The Legislative Assembly makes money available to the Department of Municipal Affairs, Culture and Housing (to the Department of Intergovernmental and Aboriginal Affairs effective August 3, 2000) for the Fund. For the year ended March 31, 2000, the Department paid $11.8 million (1999 - $10.2 million, 1998 - $9.8 million) to the Fund.

Under section 17 of *The Saskatchewan Gaming Corporation Act*, the Fund is entitled to receive 25% of Casino Regina's net profits. Under an agreement between the Federation of Saskatchewan Indian Nations (FSIN) and the Government, the Fund is entitled to receive 37.5% of the net profits of the Saskatchewan Indian Gaming Authority (SIGA) casinos. When the casinos are located on reserves, the Fund is entitled to receive an additional 25% of the net profits of the SIGA casinos. Effective February 10, 2000 the distribution of net profits of SIGA casinos has been amended. According to these amendments, the additional 25% of the net profits of casinos located on reserves may be paid to community development corporations established by the host Tribal Councils associated with those casinos.

For the year ended March 31, 2000, the Fund had revenues of $11.8 million (1999 - $13.7 million, 1998 - $7.5 million) and expenses of

$11.8 million (1999 - $14.5 million, 1998 - $6.8 million). The Department gave the Legislative Assembly the Fund's financial statements for the years ended March 31, 1998, 1999 and 2000.

Background

As stated earlier, Cabinet appointed KPMG as the auditor of the Fund. Generally, the responsibilities of government appointed auditors of Crown agencies, as defined under *The Provincial Auditor Act*, include reporting on:

- the adequacy of a Crown agency's rules and procedures to safeguard and control its assets;
- whether the Crown agency complied with the authorities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing; and
- whether the financial statements are reliable.

When the Government appoints a private sector auditor to audit the accounts of a Crown agency, we work with the appointed auditor using the process recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html). One of the processes requires us to have access to the appointed auditor's files. We have been unable to follow the protocols recommended by the Task Force because the Trustees refused to co-operate with our Office.

In past years, the Trustees of the Fund instructed KPMG to refuse us access to KPMG's files. As a result, we could not discharge our responsibilities to the Assembly on the Fund's accounts for the year ended March 31, 1997, 1998 and 1999.

Timely evaluation on an organization's rules and procedures is important. It is not possible to evaluate an organization's rules and procedures for a certain period several months after the period. Projection of any evaluation of an organization's rules and procedures to a past period is subject to the risk that procedures may not be the same or the degree of compliance with them may have increased or decreased.

In August 2000, KPMG informed us the Trustees instructed them to allow our Office access to KPMG's files. Accordingly, we reviewed KPMG's files to determine whether we could rely on their work to help fulfil our responsibilities to the Legislative Assembly. In October 2000, the Trustees of the Fund instructed KPMG to again refuse to co-operate with our Office.

We have not used the powers provided to our Office under section 25 of *The Provincial Auditor Act*. We did this on the advice of our lawyer. Our lawyer advised us that using the powers given to us under section 25 of *The Provincial Auditor Act* is not appropriate where a Crown agency is involved. Our lawyer further advised that section 24 of *The Provincial Auditor Act* requires Crown agencies and their employees to co-operate with us in the performance of our duties. When Crown agencies and their employees do not co-operate with us, our lawyer advised, we should report this matter to the appropriate court i.e., the Legislative Assembly.

Trustees continue to deny us access

From our review of KPMG files, we determined KPMG did not do an audit to report on the adequacy of the Trustee's rules and procedures to safeguard and control the Fund's assets and to comply with laws. Also, KPMG did not do an audit to report whether or not the Trustees complied with laws governing the Fund's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing. KPMG did not report on these two matters and they told us they did not carry out an examination to report on these matters because the Trustees of the Fund asked them to audit only the Fund's financial statements.

We asked KPMG to provide us the Fund's draft financial statements for the year ended March 31, 2000 and evidence to support certain amounts shown in those financial statements. In October 2000, KPMG told us that the Trustees had again instructed them not to co-operate with our Office. They told us we could not complete our review of their files. KPMG also told us they could not provide the evidence we requested for the year ended March 31, 2000 or earlier years. In November 2000, KPMG provided us with a copy of the Fund's financial statements.

As stated earlier, KPMG did not do an audit to report on the Trustee's rules and procedures to safeguard and control the Fund's assets and comply with the law. We remain unable to fulfil our responsibilities to the Legislative Assembly. As a result, the Assembly does not have information from our Office, whether:

- the Fund's financial statements are reliable;
- the Trustees had adequate rules and procedures to safeguard and control public money;
- the Trustees complied with the authorities governing the Fund's activities related to financial reporting, safeguarding assets, spending, borrowing, and investing;
- the Fund lost any public money from fraud, default, or mistake of any person;
- any officer or employee of the Fund has wilfully or negligently omitted to collect or receive public money; and
- the Trustees made an expenditure from the Fund that was not properly vouchered or certified.

We reported our inability to discharge our duties in our 1999 Fall Report – Volume 2 and previous reports.

The Standing Committee on Public Accounts (PAC) considered this matter in October 1998 and agreed with our recommendation. PAC again considered this matter in January 1999 and further recommended that legislation be amended to clarify the responsibilities of the Trustees of the First Nations Fund to have the Fund audited in accordance with the requirements of *The Provincial Auditor Act*.

1. **We continue to recommend the Department should direct the Trustees to allow our Office to carry out our responsibilities to the Legislative Assembly.**

We understand, in August 2000, the Minister had requested the FSIN to provide our Office with the necessary access to fulfill our duties. On November 13, 2000, the Minister of Intergovernmental and Aboriginal Affairs informed us by letter that he had again requested the Chief of the

Federation of Saskatchewan Indian Nations (FSIN) to provide our Office with the necessary access to fulfil our duties.

On December 1, 2000, the Chief of FSIN informed us that the FSIN and the Trustees are willing to co-operate with us. The Chief also reaffirmed FSIN's authorization to KPMG to provide us access to their files and to co-operate with us.

We think the Minister's efforts and the FSIN's willingness to co-operate with us will allow us to fulfil our duties to the Legislative Assembly.

We plan to discuss with KPMG and the Trustees of the Fund how best to complete our work. We will report our conclusions, findings and recommendations, if any, in a future report.

Public disclosure of payments required

The First Nations Fund needs to comply with the Standing Committee on Public Account's (PAC) recommendations to provide the Legislative Assembly a list of persons who received money from the Fund and the amount they received (payee information).

Public disclosure is important for three reasons. First, public disclosure serves to remind all government officials they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision-making as it ensures those who spend public money know their use of that money will be public. Third, public disclosure ensures the public knows who has received their money.

PAC has specified the required details of disclosure for government agencies. PAC also recommended different disclosure for certain kinds of payments on an *ad hoc* basis when PAC thinks different disclosure will not impair achieving its initial objectives for wanting payee information. See Chapter 14 (Executive Council) for a process for MLAs to decide what payee information the Trustees should disclose.

We think the Members of the Legislative Assembly (MLAs) have the following three objectives for requiring public disclosure of those persons who receive money from a government organization.

- MLAs want to monitor who gives money to political parties and who gets money from government organizations;
- MLAs want to ensure government organizations spend money objectively; and
- MLAs want to build confidence by ensuring the use of public money is transparent.

Some government agencies think they should not have to disclose this information for certain payments because they think the information should be confidential. We think the Legislative Assembly should decide when this information should be confidential.

2. **We recommend the Trustees should publish a list of persons and organizations who received money from the First Nations Fund and the amounts the person received following PAC's current minimum disclosure amounts.**

Government e-mail system

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Glossary

Encryption – a process that takes a message and transforms it to a scrambled message using a special mathematical formula and an electronic key.

Environmental control – control to physically protect the computer system from environmental threats such as fire, flood, temperature fluctuations, etc.

Global address list – this list contains the names and electronic addresses of all the users connected to GEMS. It makes it easy for anyone connected to the system to locate and send e-mail to others on the system. The global address list is kept current through periodic electronic updates to and from the user organizations' mail servers.

Hacker – an individual who attempts to gain unauthorized access into computer systems and files.

Logical access control – control to prevent unauthorized access to systems through the use of user authentication and verification (e.g. ID's and passwords).

Log file – a record of computer activities (e.g. transactions and suspicious events).

Performance measures – measurable factors used to assess progress toward an identified objective or pre-determined outcome.

Virus – a program created with the intention of causing malicious damage and tying up computer resources. The creators of viruses program them to automatically attach to other programs. Viruses spread through the sharing of programs and data mainly through the sending of e-mail with attachments.

Introduction

The use of information technology (IT) in government is continually increasing. In addition, there is a trend toward electronic service delivery (ESD) in government. ESD is providing services between government organizations and between government and its citizens over the Internet. This requires the Government to have strong policies over IT. The Government has recognized this and is looking at enhancing IT security. One example of the increase in use of IT in government is the increase in use of electronic mail (e-mail). Our Chapter looks at the controls in place to ensure the Saskatchewan Property Management Corporation has adequate control over the operation of the Government E-Mail System (GEMS).

Overview of GEMS

GEMS is comparable to Canada Post's system for delivering paper mail. Users of Canada Post's paper mail system place their outgoing paper mail in a Canada Post mailbox. Canada Post sorts the mail and it ends up in the receiver's mailbox after it goes through various distribution centres and is delivered by a letter carrier. Canada Post has its own addressing system including postal codes that simplifies the process of sorting and delivering mail. It has various rules and regulations relating to the sending of mail and parcels. For example, first class letters have a minimum and maximum size. Another rule is that Canada Post does not accept dangerous goods for delivery.

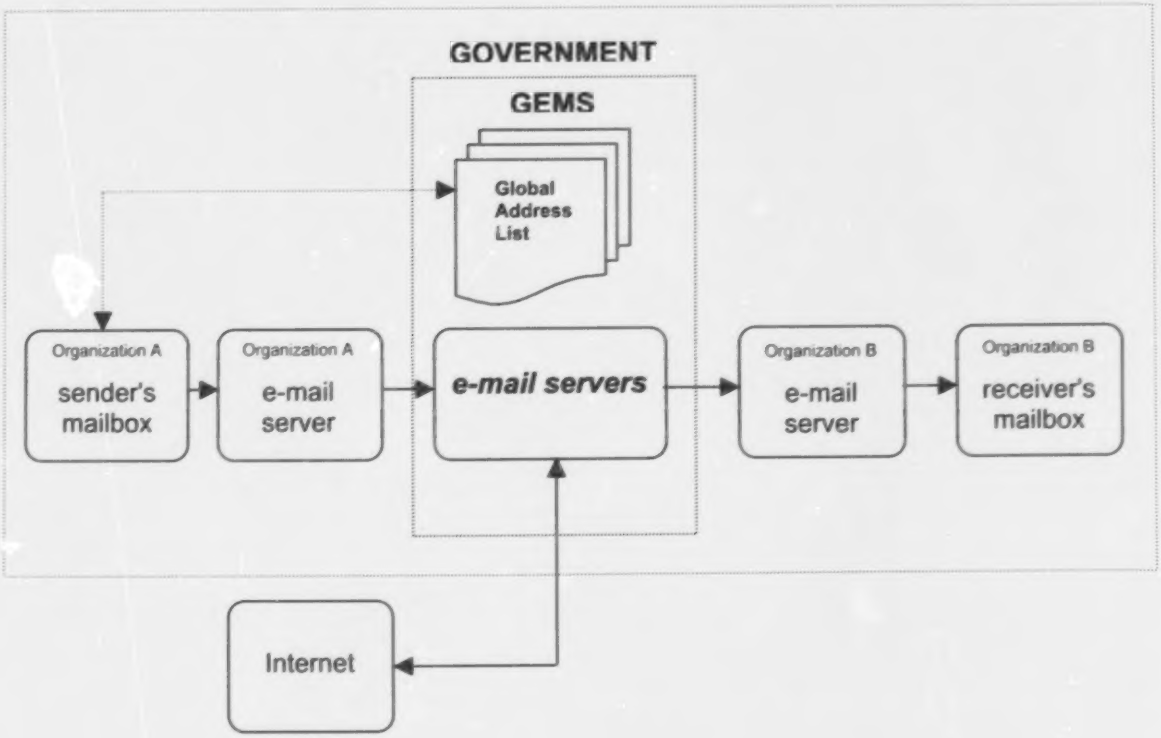
Similar to Canada Post's paper mail system, GEMS receives e-mail messages from users at a variety of organizations (e.g., government departments and agencies). An electronic address allows the system to automatically sort and forward a message to the recipient organization's e-mail server, which then forwards it to the recipient's e-mailbox. GEMS keeps a global address list. This allows users to easily look up an e-mail address and send e-mail. There are various guidelines regarding the sending of e-mail through GEMS.

The Saskatchewan Property Management Corporation (SPMC) operates GEMS. SPMC provides accommodation and commercial services to government departments and agencies. Like the majority of its programs and services, SPMC provides GEMS to its users on a cost-recovery basis.

GEMS receives e-mail, converts it to a standard format (if required) and forwards it to the receiving organization's mail server. The receiving organization's mail server then places the e-mail in the receiving user's mailbox. Exhibit 1 shows the flow of e-mail through GEMS. GEMS does not store any e-mail messages on its system. GEMS also has a central connection to the Internet so that organizations can send and receive e-mail to and from persons who are not part of GEMS. Some government organizations do not use GEMS to send or receive their Internet e-mail. Also, except for messages sent and received over the Internet, GEMS does not check e-mail and any files that are attached to the e-mail (attachments) for viruses. It is the responsibility of the user organizations to scan all attachments for viruses before forwarding them.

The following chart shows the typical flow of e-mail through GEMS:

Exhibit 1


GOVERNMENT
GEMS
Global Address List
Organization A sender's mailbox
Organization A e-mail server
e-mail servers
Organization B e-mail server
Organization B receiver's mailbox
Internet

SPMC works with the user organizations to set certain guidelines for sending and receiving e-mail. For example, organizations should scan all attachments to check for viruses before forwarding them to GEMS; attachments cannot exceed a maximum size; and users should not send junk e-mail through GEMS. Administrators of GEMS at SPMC do not see the content of the messages passing through the system. As a result, it is difficult for SPMC to monitor its guidelines over GEMS.

GEMS has been in existence for several years. In April 1997, there were approximately 11,000 users that sent 45,000 messages in that month. In April 2000 (three years later), there were approximately 19,400 users that sent 750,000 e-mail messages in that month (this is an average of two e-mails sent per day per user). Use of GEMS continues to grow.

SPMC is also responsible to deliver inter-office paper mail for the Government. The number of e-mails sent through GEMS is approaching the number of pieces of paper mail delivered by SPMC.

Audit objective

The objective of our work was to determine if SPMC has adequate control over the operation of GEMS.

We looked at systems and practices in effect at September 30, 2000. We did our audit in accordance with assurance standards established by The Canadian Institute of Chartered Accountants and, accordingly examined on a test basis the existing systems and practices in effect as at September 30, 2000. Those standards require us to use criteria to evaluate the matters we audit.

Audit criteria

Audit criteria are reasonable and attainable standards. To select the criteria, we reviewed governing laws and authorities, relevant literature and previous work of our Office. SPMC agreed to the criteria:

1. SPMC should have objectives for GEMS.
2. SPMC should have adequate policies and procedures governing GEMS.
3. SPMC should have adequate physical control around GEMS.

4. SPMC should have adequate logical access control over GEMS.
5. SPMC should ensure GEMS is available for the users.
6. SPMC should monitor controls to protect e-mail in transit.

Scope

As shown in Exhibit 1, e-mail passes from one organization to another through GEMS. We did not audit the policies and procedures at the organizations where e-mail is sent or stored. However, there are a few observations that are applicable to all the user organizations. Therefore, some recommendations in this Chapter relate to the Government as a whole and apply to all government organizations using GEMS.

Conclusion

In our opinion, SPMC had adequate control over the operation of GEMS to meet its objectives as at September 30, 2000, except for the matters described elsewhere in this Chapter.

Audit findings

SPMC should have objectives for GEMS

Setting goals and objectives helps organizations focus on the direction they want to go. Management needs to communicate these goals and objectives so that employees can work toward them. In creating any system, goals and objectives should be set to describe what management wants to accomplish. This should include general overall goals and objectives as well as specific performance measures.

For GEMS, general overall goals and objectives would describe why users need the system and what benefits it offers. Specific performance measures would include items such as allowable downtime and average message delivery time.

We found that SPMC has set general goals and objectives for GEMS. For example, GEMS provides E-mail services with the objective of improving communication between government organizations. Also, SPMC provides the service on a cost-recovery basis. As the system has been in place for several years, it may be beneficial for SPMC to remind users of the general goals and objectives of GEMS.

SPMC has not set specific performance measures. SPMC has informal targets, such as expected message delivery time, but it does not measure or report actual results against these informal targets. For example, SPMC should set expectations for the response time for the GEMS help desk and measure and report results.

1. **We recommend SPMC should set specific performance measures for GEMS and report on whether it met those objectives. SPMC should communicate the overall objectives and the performance measures to all GEMS users.**

SPMC should have adequate policies and procedures governing GEMS

An organization needs effective control to achieve its objectives. One way to promote effective control is to develop policies and procedures that support the achievement of the organization's objectives. Policies and procedures need to be set, communicated and monitored so users understand what is expected from them and the scope of their freedom to act.[1] Policies and procedures are required to ensure the security (i.e. confidentiality, integrity and availability) of GEMS and to ensure it is used appropriately, including meeting legal requirements. Organizations should base their policies and procedures on a threat and risk assessment.

We found that SPMC has developed policies and procedures that address the risks SPMC faces in achieving its objectives for GEMS. However, SPMC does not have the mandate to require organizations to follow specified policies and procedures.

Up to now, SPMC has provided guidance for policies by building a consensus among the GEMS user organizations. The Government would benefit by having a central government agency setting and enforcing minimum policies required to ensure GEMS remains secure, follows all legal requirements and remains available to users. Minimum policies would be established after a threat and risk analysis is done of GEMS.

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[1] Adapted from *Guidance on Control* published by The Canadian Institute of Chartered Accountants.

2. **We recommend the Government should establish minimum policies over its shared systems and ensure that adequate policies are developed and implemented, distributed and monitored for compliance.**

SPMC should have adequate physical control around GEMS

Adequate physical control ensures computer equipment is restricted from unauthorized access and is protected from other threats like water and fire. All threats to physical security must be assessed and appropriate precautions taken.

We found that SPMC's physical control over GEMS is adequate. SPMC has appropriate control to physically restrict access to GEMS to only authorized individuals. The space that houses GEMS has appropriate environmental control to reduce the risk of damage to GEMS from outside threats to an acceptable level.

Although GEMS has adequate physical control, SPMC has not fully communicated the required policies to all affected employees and consultants. SPMC has a group of employees called Protective Services that is responsible for the physical protection of the computer room housing the GEMS servers; while the Telecommunications group and consultants are responsible for the GEMS servers. SPMC could improve the communication of policies between Protective Services and Telecommunications and its consultants. Improved communication will make employees more aware of physical security policies and promote improved adherence to these policies.

SPMC should have adequate logical access control over GEMS

To protect the security of computer systems, adequate logical access control is required. E-mail systems are constantly exposed to threats from hackers and other unauthorized access. Logical access control includes authenticating user access to GEMS and monitoring the system so that security violations are detected and corrected on a timely basis.

We found that there is adequate control over the logical access to GEMS at SPMC. SPMC has adequate policies and procedures to ensure logical access to GEMS is restricted to only authorized individuals at SPMC. There is periodic monitoring of the system and the log files to detect any unauthorized access to GEMS.

SPMC should ensure GEMS is available for the users

As more individuals increase their reliance on systems, organizations need procedures to ensure the availability of those systems. Organizations need backup and recovery plans. To protect organizations from major disasters, a disaster recovery plan needs to be developed, tested and stored offsite. The level of detail of the plan would be determined by a threat and risk assessment to ensure systems can be up and running within a set length of time (recovery time). Organizations would need to determine the acceptable recovery time by analyzing the risks and the costs to reduce those risks.

For GEMS, periodic backups are not as critical because messages are not stored on the system. However, backups are still required to restore the system in case of a failure.

SPMC has reasonable backup procedures for GEMS. As well, GEMS has duplication of hardware and mirror images of all systems to ensure GEMS continues to operate, or is only down for an acceptable period of time, in case of a hardware failure.

SPMC does not have a documented and tested disaster recovery plan that it could use in the event of a major system failure. Such a plan should be based on a formal assessment of the threats and risks that GEMS faces, or an assessment of the probability of those threats occurring and the impact on GEMS.

3. **We recommend SPMC should develop and test a complete disaster recovery plan for GEMS. This would include a complete threat and risk assessment to ensure the measures taken to ensure the availability of GEMS are appropriate and cost effective.**

SPMC should monitor controls to protect e-mail in transit

As the use of GEMS increases, there will be a need for better control over the positive identification of e-mail senders and the safe passage of e-mail from user to user. Users are responsible for the security of messages they send. Messages can be kept safe in transit by using encryption. Also, senders can be positively identified with their electronic signature. Public key infrastructure (PKI) is a system that positively identifies people and gives them an electronic signature to associate them with every message they send.

GEMS currently uses basic encryption for e-mail sent within GEMS. This prevents mail messages from being read while they are in transit or waiting to be forwarded. With certain tools, a hacker could solve this basic encryption. SPMC has recognized the need to look into a PKI system and has pilot tested advanced encryption software and electronic signatures. Due to significant changes in the computer industry regarding encryption software, SPMC has not yet finalized its plans for implementing better encryption software. SPMC is monitoring the situation.

As technology advances, the risk to GEMS messages in transit increases.

Compliance with *The Archives Act*

The Archives Act not only applies to paper documents but also to electronic documents such as e-mail.

The Archives Act (Act) requires organizations to retain records in accordance with record retention and destruction rules. For the purposes of the Act, the Saskatchewan Archives Board's interpretation is that some e-mail records are considered formal documents. Therefore, organizations must keep electronic documents with the same care and attention as they would paper records. This includes developing filing and classification systems that allow for the efficient retrieval of information including freedom of information requests.

SPMC has noted that organizations need to follow the requirements of *The Archives Act*. The Government needs to make departments and agencies aware of the specific requirements and of their responsibilities regarding proper management and retention of e-mail. From our discussions with departments and agencies, we found that most are archiving their e-mails but not in a format that would allow easy retrieval of information.

4. We recommend the Government should evaluate the requirements of *The Archives Act* and develop processes to help departments and agencies comply with the requirements of *The Archives Act* for e-mail.

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Environment and Resource Management

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Introduction

The Department of Environment and Resource Management (Department) is responsible for managing, enhancing and protecting the Province's natural resources and sustaining them for future generations. Information about the Department's mandate and its organizational structure are available at the Department's website (http://www.serm.gov.sk.ca/).

For the year ended March 31, 2000, the Government's summary financial statements show environment and natural resource expenditures of $168 million. The following table shows the expenditures of government agencies for environment and natural resource.

	(in millions of dollars)
Department of Environment and Resource Management (1999-2000 Public Accounts – Volume 2)	$ 147
Deduct expenditure shown as:	
Economic development related to forests	(7)
Add expenditure incurred by:	
Saskatchewan Water Corporation	26
Department of Agriculture and Food	2
Environment and natural resource expenditures per the Government's summary financial statements	$ 168

The Department received $147 million from the General Revenue Fund for its programs. Also, the Department collected revenue of $43 million. In addition, the Department collects revenue and incurs expenses through its special purpose funds listed below

The following is a list of major programs and spending reported in the 1999-2000 Public Accounts – Volume 2:

	Original Estimates	Actual
	(in millions of dollars)	
Forest Fire Management	$ 28	$ 70
Field Operations and Land Management	34	37
Forestry, Fish and Wildlife	14	15
Environmental Protection	11	11
Administration	12	12
Other	2	2
	$ 101	$ 147

The Department is responsible for managing the following special purpose funds:

- Big Game Damage Compensation Fund;
- Commercial Revolving Fund;
- Fish and Wildlife Development Fund; and
- Resource Protection and Development Revolving Fund.

Information about the Department's total revenues and expenditures is not available in any one document. The *Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure* (1999-2000 Public Accounts – Volume 2) (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts) contains information about some of the Department's revenues and spending. The Department plans to include the financial statements of its special purpose funds in *The Financial Statements Compendium 1999-2000.*

Key issues the Department faces

To assess the Department's performance, it is important for legislators and the public to understand the Department's vision and mission, and how it manages key issues (risks). The Department has documented its mandate, guiding principles, organizational philosophy, and strategic principles in its strategic plan, in its annual report, and on its Internet website. However, they do not describe how the Department manages its key risks. We encourage the Department to describe how it manages its key risks in its annual reports and on its website.

To carry out our work, we must understand the risks facing an organization. We think sharing our understanding with legislators and the public will help them better understand and assess the organization's performance. To identify risks, we reviewed various departmental documents and reports. We discussed our understanding of those risks with management and confirmed we have identified the right risks.

To be successful the Department needs to:

- ensure a clean and healthy environment within the Province of Saskatchewan;

- develop sustainable resource management programs while encouraging a strong economy; and
- protect provincial resources using regulatory and non-regulatory controls.

Forest fires are a significant risk the Department must manage as part of developing sustainable resource management programs. It must do this while encouraging a strong economy and protecting provincial resources using regulatory and non-regulatory controls. Forest fire management is a significant risk the Department must manage because of the risk of loss of public and private properties, natural resources and human life. The Department needs rules and procedures to keep the risk of loss at an acceptable level.

We are auditing the Department's forest fire management system. The objective of our audit of forest fire management is to determine if the Department has adequate rules and procedures to manage forest fires.

We have not yet completed our audit of the Department's systems and practices to manage forest fires. We will report our conclusions, findings and recommendations, if any, from this audit in a future report.

Criteria for managing forest fires

We have developed criteria we are using in our audit of the Department's systems and practices for managing forest fires.

Auditors need criteria to evaluate matters they audit. Criteria are reasonable and attainable standards of performance and control against which auditors can assess the adequacy of systems and practices. The audit criteria selected are those that management can realistically expect to meet.

We developed criteria after reviewing relevant literature on forest fire management. We discussed the criteria with the Department's management, made necessary changes and obtained management's agreement that the criteria are reasonable and attainable. The agreed upon criteria are as follows.

The Department should have systems and practices to ensure:

- An adequate fire prevention program exists with clear targets for prevention (e.g., to reduce the number of human-caused fires by a specific percentage).
- Forest fire suppression including detection, initial attack and containment of fires is focused on human life at risk, and key values such as the protection of public and private properties, and natural resources (collectively refer to as values).
- Resources required for forest fires suppression reflect human life at risk and the values identified.
- Timely and effective investigation of the causes of each major fire.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2000:

- **the Department had adequate rules and procedures to safeguard and control its assets and the assets of its special purpose funds, except for the matters described in this Chapter;**
- **the Department complied with authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter described in this Chapter relating to the Department's capital assets; and**
- **the financial statements of the Department's special purpose funds are reliable.**

Internal reporting needs improvement

The Department needs better internal reports to monitor its activities.

The Department has established adequate rules and procedures to prepare internal financial reports. However, employees did not always follow the established rules and procedures to prepare internal financial reports. For example, reports did not include, even though required, a comparison of planned and actual results for the current period and year to date including an explanation of significant differences.

Operational reports would show the effectiveness of programs (i.e., what did the Department expect to accomplish and how is it progressing towards those expectations). Compliance reports would describe the Department's compliance with its legislative and related authorities (e.g., legislation or policy manuals). The Department needs to define and document its operational and compliance reporting requirements.

We reported this matter in our 1999 Fall Report – Volume 2 and previous reports. The Standing Committee on Public Accounts (PAC) considered this matter in November 1998 and more recently in January 1999. It concurred with our recommendations.

We continue to recommend:

- The Department should define and document its operational and compliance reporting requirements.
- The Department should follow its established rules and procedures for preparing all of its internal financial reports.

The Department told us it continues to work on defining its operational and compliance reporting needs. The Department also told us it continues to work towards preparing required internal financial reports in accordance with its established rules and procedures. To improve its financial reporting, the Department told us that it plans to finish implementing its new financial management system in 2000-2001.

Complete capital assets records needed

The Department needs better rules and procedures to safeguard and control its capital assets (equipment, furniture and fixtures) and report on them publicly.

Section 640 of the Provincial Comptroller's *Financial Administration Manual* provides guidance to departments regarding capital assets. The manual includes guidance on how to maintain complete records of capital assets.

The Department has capital assets at cost less accumulated amortization totalling approximately $11.3 million. The Department reconciles capital asset additions in its capital asset records to its financial records. However, the Department does not reconcile its capital asset disposals to its financial records. Nor, does it reconcile its financial records in total to its capital asset records. These reconciliations are needed to ensure that all capital assets are recorded in the financial records.

The Department now provides information about its capital purchases in its 1999-2000 annual report. However, it does not provide any information about its total capital assets or what they are used for in its annual report.

The Department took additional steps in 2000 to help ensure the accuracy and completeness of its capital asset records. In March 2000, the Department selected a sample of capital assets from its capital assets records and inspected those assets to ensure they exist. It also selected a sample of capital assets and agreed them to its capital asset records to ensure its records are complete. However, these procedures are not sufficient to ensure the capital assets records agreed to the financial records.

We reported this matter in our 1999 Fall Report - Volume 2 and previous reports. PAC considered this matter in November 1998 and more recently in January 1999. It concurred with our recommendations.

We continue to recommend:

- The Department should keep complete records of its capital assets.

- The Department should also:

  - periodically reconcile its capital assets records to its financial records; and
  - include additional information about its capital assets in its annual report.

Rules and procedures over payments need improvement

The Department needs to improve its rules and procedures to ensure it does not pay for goods and services it did not receive.

Payment rules and procedures should include authorization/approval of transactions separate from the custody of assets and the recording or reporting of those assets to reduce the risk of paying for goods and services not received.

The Department's rules and procedures require that the person approving the payment be separated from the individual purchasing or receiving the goods or services. However, the Department does not always follow these rules and procedures. For example, the Department's new financial system allows the same person to purchase goods and services, receive those goods and services and approve payment. This payment system increases the risk that the Department might pay for goods and services that it did not receive. We are unable to determine whether the Department paid for goods and services that it did not receive.

We also note the Department did not always follow its procedures for controlling credit card purchases. The Department has established adequate rules and procedures for controlling credit card purchases. The Department's procedures require a supervisor to approve all credit card purchases. We found supervisors did not always review and approve credit card purchases. Lack of approval increases the risk that the Department may pay for goods and services that it did not receive.

1. **We recommend the Department should improve its rules and procedures to ensure it pays only for goods and services received.**

The Department told us it is working on a project to improve its purchasing rules and procedures.

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Finance

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Introduction

The Department of Finance (Department) helps the Government and the Legislative Assembly manage and account for public money. It controls spending from the General Revenue Fund (GRF) and ensures the GRF receives all revenue due to it. In addition, the Department prepares the Government's Summary Financial Statements. Also, the Department prepares an annual report that includes important accountability information about its activities, goals and challenges.

The Department of Finance:

- administers various tax, grant and refund programs;
- arranges Government financing, banking, investing and borrowing;
- provides policy and financial analysis to Treasury Board and Executive Council;
- develops tax policy alternatives;
- provides economic forecasting and economic, social and statistical data;
- prepares the annual Budget Address, Estimates and Public Accounts; and
- administers public sector pension and benefit plans.

In 2000, the Department spent $1.26 billion and collected revenue of $4.99 billion. Revenue includes $381 million of debt costs recovered from Crown agencies.

Special purpose funds and Crown agencies

The Department is responsible for the following special purpose funds and Crown agencies.

Year end December 31

Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Municipal Employees' Pension Commission
Public Employees Deferred Salary Leave Fund
Public Employees Disability Income Fund
Public Employees Dental Fund
Public Employees Group Life Insurance Fund
Saskatchewan Pension Plan
SaskPen Properties Ltd.

Year end March 31

General Revenue Fund
Members of the Legislative Assembly Superannuation Plan
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
SP Two Properties Ltd.

In addition, the Department administers The Liquor Board Superannuation Commission and the Workers' Compensation Board Superannuation Plan (fiscal years ending December 31).

Financial overview

The following is a list of the Department's major programs and spending:

	Original Estimates	Actual
	(in millions of dollars)	
Interest-GRF Debt	$ 724	$ 696
Interest-Crown corporation debt	395	381
Total interest on debt	1,119	1,077
Pensions and benefits	164	160
Administration	26	26
	$ 1,309	$ 1,263

The following is a list of the Department's major revenue sources:

	Original Estimates	Actual
	(in millions of dollars)	
Individual income tax	$ 1,361	$ 1,446
Interest recovered from Crown corporations	395	381
Sales tax	670	660
Transfers from Government of Canada	991	1098
Fuel taxes	370	369
Corporation capital and income taxes	420	571
Tobacco taxes	126	124
Transfers from government entities	638	161
Motor vehicle fees	105	113
Other	80	72
	$ 5,156	$ 4,995

Key issues

It is important that Members of the Legislative Assembly (MLAs) and the public know the key issues facing a department. Also, they should receive information on these issues to understand and assess a department's performance. We think sharing our understanding with MLAs and the public will help them better understand and assess the Department's performance.

Information on how a department is managing its key issues can increase public confidence. Annual reports are often used to provide this information to MLAs and the public.

We identified the following key issues the Department must manage well to be successful. It must:

- give Treasury Board accurate and useful information to enable it to develop, manage and evaluate the Government's fiscal plan;
- manage the Government's debt;
- manage investments;
- collect revenues due to the Department;
- publish useful planning and performance reports;
- manage several government pension and benefit plans; and
- ensure designated government entities comply with Treasury Board's directives.

To identify these key issues, we reviewed *The Financial Administration Act, 1993* and other legislative authorities. We also reviewed the Estimates, the Public Accounts, the Budget Address and Prospectus documents. In addition, we discussed these issues with key Department officials.

Our audit conclusions and findings

This Chapter contains our audit conclusions and findings on the Department, its special purpose funds and Crown agencies for the fiscal years ending on or during the year to March 31, 2000, except for the Public Service Superannuation Plan and the Members of the Legislative Assembly Superannuation Plan. These audits are not complete due to established audit priorities. We are completing our work on these agencies and will report the results in a future report.

In our 1999 Fall Report – Volume 2, we reported on the funds and Crown agencies with years ending on or during the year to March 31, 1999, except for the Public Employees Benefits Agency Revolving Fund. We have now completed this audit and report the conclusions and findings in this Chapter.

Our Office worked with Ernst & Young, Saskatchewan Pension Plan's appointed auditor, Deloitte & Touche, the Workers' Compensation Board Superannuation Plan's appointed auditor, and KPMG, the Public Employees Pension Plan's and the Municipal Employees' Pension Commission's appointed auditor. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html). Our Office, Ernst & Young, Deloitte & Touche and KPMG formed the following opinions.

In our opinion, where we have completed our work:

- **the Department, its special purpose funds and Crown agencies had adequate rules and procedures to safeguard and control their assets except where we report otherwise in this Chapter;**
- **the Department, its special purpose funds and Crown agencies complied with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except where we report otherwise in this Chapter;**
- **the Government's summary financial statements, included in the Public Accounts 1999-2000 Volume 1 are reliable;**
- **the financial statements for the special purpose funds and Crown agencies listed on page 274 are reliable except for the GRF; and**
- **the GRF financial statements included in the Public Accounts 1999-2000 Volume 1 are reliable except that all pension costs are not recorded and the costs of the Agricultural Income Disaster Assistance program are not properly recorded.**

We also note matters on accountability information and special warrants for the Assembly's attention in this Chapter.

Our auditor's report on the GRF financial statements

Our auditor's report on the GRF financial statements for the year ended March 31, 2000 warns readers that the financial statements do not include all of the Government's financial activities. Therefore, readers should not use the GRF statements to understand and assess the Government's overall performance. The appropriate financial statements to use for that purpose are the Government's *Summary Financial Statements*.

In addition, our auditor's report on the GRF financial statements for the year ended March 31, 2000 includes two reservations. The financial statements are significantly misstated because the GRF's pension costs and the costs of the Agricultural Income Disaster Assistance program are not reported properly.

The combined effects of the two reservations are as follows:

- the GRF's annual surplus, for 1999-2000 reported as $83.5 million, is overstated by $122 million;
- the Department of Agriculture and Food expenditures reported as $337.8 million are understated by $70 million
- pension expenditures are understated by $52 million; and
- liabilities and accumulated deficit are understated by $3.8 billion

Pension costs reservation

The GRF is responsible for the liabilities of several pension funds. However, these liabilities are not recorded in the GRF financial statements. Therefore, the Assembly and the public are unable to properly assess pension costs because the financial statements do not include the GRF's total pension costs for the year or the unfunded pension liability. The financial statements only include the amounts the Government actually paid retired members or contributed to a pension fund that year. The effects of not properly recording pension costs are as follows:

- the GRF's surplus, for 1999-2000 reported as $83.5 million, is overstated by $52 million;
- pension expenditures are understated by $52 million; and
- liabilities and accumulated deficit are understated by $3.8 billion

1. **We continue to recommend the Department properly account for pension costs in the GRF financial statements.**

In January 1999, The Standing Committee on Public Accounts (PAC) considered this matter. PAC did not concur with this recommendation, noting:

> The Government fully discloses its unfunded pension liability in the notes to GRF financial statements; and further that the unfunded pension liability is recorded in summary financial statements in accordance with PSAB recommendations and that the Government budgets and fully records its annual pension cash requirements in the GRF.

Agriculture costs reservation

In 1999, the Governments of Saskatchewan and Canada agreed to provide agricultural income disaster assistance to Saskatchewan farmers experiencing farm income shortfalls for the 1998 and 1999 calendar years. The estimated costs for the two-year program were $70 million for the first year and $105 million for the second year. However, the Department reported $140 million as the expenditure for the year ended March 31, 1999 and $35 million as the expenditure for the year ended March 31, 2000. In our opinion, the Department should have reported $105 million as the expenditure for the year ended March 31, 2000.

The effects of not properly reporting Agricultural Income Disaster Assistance program costs are as follows:

- the GRF's surplus, for 1999-2000 reported as $83.5 million, is overstated by $70 million;
- the Department of Agriculture and Food expenditures reported as $337.8 million are understated by $70 million

Annual pension costs not included in Estimates

In previous reports, we reported that the Assembly and the public are unable to properly assess pension costs because the Estimates do not include the GRF's estimated total pension costs for the year. The Estimates only include the amounts the Government expects to pay retired members or contribute to a pension fund that year.

The effects of not including the GRF's total pension costs in the Estimates for the year ended March 31, 2000 are as follows:

- the GRF's budgeted surplus of $8.3 million is overstated by $52 million;
- budgeted expenditures of $5.6 billion are understated by $52 million; and
- the budgeted accumulated deficit of $7.2 billion is understated by $3.8 billion.

2. **We continue to recommend the Department include the GRF's total pension costs for the year in the Estimates.**

In January 1999, PAC considered this matter and "resolved that the committee note that the information is available in the Government summary financial statements and does not concur in this recommendation."

However, the Government uses the amount of the GRF's budgeted surplus or deficit as one of its key performance indicators. If the budgeted surplus or deficit does not include the total estimated pension costs, it is difficult for the Assembly and the public to assess the Government's performance. As well, the Government makes decisions based on the belief that the "budget" is balanced. It might make different decisions if the budget included the correct amount of pension costs for the year.

On October 8, 1998, PAC requested a report of how the Government plans to address its pension obligations. The Department is currently preparing this report.

Special warrants

The law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2000 the Government approved the spending of $212.5 million by special warrant. It later included these special warrants in an appropriation act.

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Agriculture and Food

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Introduction

The Department of Agriculture and Food's mandate is to add value to agriculture by fostering a commercially viable, self-sufficient and sustainable agriculture and food industry; in partnership with industry.

The Department's revenues and expenses are reported in the *Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure* (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts). The revenues and expenses of the Department's special purpose funds and Crown agencies are reported in the Public Accounts compendium, except for agencies under the Agricultural and Food Products Development and Marketing Council, which are reported in the Council's annual report.

Financial overview

The following table sets out the Government's total expenditure and total revenue related to the agricultural programs it administers through the Department and other organizations that the Government owns or controls. This information is reflected in the Government's summary financial statements for the year ended March 31, 2000.

	2000	1999
	(in millions of dollars)	
Agricultural expenditure by program:		
Crop insurance	$ 157	$ 137
Compensation for freight rate changes	260	---
Agricultural Income Disaster Assistance (AIDA)	105	70
Farm income stability (NISA*)	62	40
Other	109	76
	$ 693	$ 323
Agricultural revenue by source:		
Federal Government	$ 288	$ 91
Producers' crop insurance premiums	71	76
Interest on loans and investments	29	35
Sales, services, fees and permits	30	33
	$ 418	$ 235

* Net Income Stabilization Account

Special purpose funds and Crown agencies

The Department is responsible for the following special purpose funds and Crown agencies:

	Year End
Agricultural Credit Corporation of Saskatchewan	March 31
Agri-Food Equity Fund	March 31
Agri-Food Innovation Fund	March 31
Beef Development Board	March 31
Cattle Marketing Deductions Fund	March 31
Conservation and Development Revolving Fund	March 31
Horned Cattle Fund	March 31
Livestock Services Revolving Fund	March 31
Milk Control Board	December 31
Prairie Agricultural Machinery Institute	March 31
Saskatchewan Agricultural Stabilization Fund	March 31
Saskatchewan Crop Insurance Corporation	March 31
Crop Reinsurance Fund of Saskatchewan	March 31

Crown Agencies under the Agricultural and Food Products Development and Marketing Council

	Year End
Saskatchewan Alfalfa Seed Producers' Development Commission	July 31
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31
Saskatchewan Canola Development Commission	July 31
- Canodev Research Inc. (Canodev)	July 31
Chicken Farmers of Saskatchewan (formerly the Saskatchewan Chicken Marketing Board)	December 31
Saskatchewan Egg Producers (formerly the Saskatchewan Commercial Egg Producers' Marketing Board)	December 31
Saskatchewan Flax Development Commission	July 31
Saskatchewan Pulse Crop Development Board	August 31
Saskatchewan Sheep Development Board	September 30
Saskatchewan Turkey Producers' Marketing Board	December 31
Sask Pork	December 31

Our audit conclusions and findings

This Chapter contains our audit conclusions and findings for:

- the Agri-Food Innovation Fund for the year ended March 31, 1999; and
- the special purpose funds and Crown agencies for the fiscal years ending on or during the year to March 31, 2000, except for: the Agri-Food Equity Fund, Agri-Food Innovation Fund, Beef Development Board, Horned Cattle Fund, and Saskatchewan Agricultural Stabilization Fund. Our audits of these funds and agencies are not complete due to established priorities. We will report the results of these audits in a future report.

Our Office worked with the following appointed auditors:

- Deloitte & Touche
    - Sask Pork
- KPMG
    - Saskatchewan Agricultural Stabilization Fund
    - Saskatchewan Crop Insurance Corporation
    - Crop Re-insurance Fund of Saskatchewan
- PricewaterhouseCoopers
    - Agricultural Credit Corporation of Saskatchewan

We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html). Our Office and the appointed auditors formed the opinions set out below.

In our opinion, for the audits we have completed:

- **the financial statements of the Department's special purpose funds and Crown agencies are reliable, except where we report otherwise in this Chapter;**

- **the Department and its special purpose funds and Crown agencies had adequate rules and procedures to safeguard and control their assets except for the matters relating to governance policies and conference fee revenue at Sask Pork; and**
- **the Department and its special purpose funds and Crown agencies complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.**

Agri-Food Innovation Fund (March 31, 1999)

The Department of Agriculture and Food administers the Agri-Food Innovation Fund (Fund). The purpose of the Fund is to enhance the diversification of the agri-food industry, support research and development, and encourage the creation of economic opportunities and jobs.

The Government of Canada (Canada) and the Government of Saskatchewan (Saskatchewan) agreed to share the costs of the Fund. The agreement between Canada and Saskatchewan requires the Department to only use the money in the Fund to pay for approved projects.

The Fund's financial statements, for the year ended March 31, 1999, report revenue of $19.8 million, expenses of $19.2 million and net assets of $12.2 million.

Reliability of the financial statements

In our opinion, the Fund's 1999 financial statements are not reliable. Those financial statements understate the Fund's liabilities and overstate its net assets by $8.4 million.

As stated earlier, Canada and Saskatchewan agreed to share the costs of the Fund. The agreement restricts the Department's use of the money in the Fund to approved projects. In some years, Canada and Saskatchewan pay money into the Fund before the Department incurs costs for those projects. The Department records money it receives in advance from Canada and Saskatchewan differently.

The Department records money it receives from Canada as debt of the Fund to Canada (i.e., deferred revenue) until the Department incurs project costs. When the Department incurs project costs, the Department reduces the debt by the amount of the costs and records an equal amount as revenue. This practice follows the accounting recommendations of The Canadian Institute of Chartered Accountants (CICA). For example, in 1999 the Department received $20.4 million from Canada for the Fund and recorded this money as debt of the Fund to Canada. For the year ended March 31, 1999, the Department reduced this debt by the project costs it incurred in 1999 totalling $19.1 million and recorded an equal amount as revenue of the Fund. At March 31, 1999, the Fund's financial statements show a debt of $12.6 million due to Canada (1998 - $11.3 million).

The Department records the money it receives from the Saskatchewan General Revenue Fund (GRF) as revenue of the Fund regardless of whether or not the Department has incurred project costs. In our opinion, this practice does not follow the accounting recommendations of the CICA. For example, in prior years, the Department received $28 million from the GRF. The Department recorded the entire $28 million as revenue of the Fund. However, the Department only incurred costs of $19.6 million for those projects. Therefore, the Department has incorrectly recorded $8.4 million of revenue because the Department had not incurred any project costs related to this money.

As a result, the Fund's financial statements for the year ended March 31, 1999 understate the Fund's liabilities by $8.4 million and overstate the Fund's net assets by $8.4 million.

1. **We recommend the Department should record the money received from the General Revenue Fund (GRF) as a debt of the Agri-Food Innovation Fund to the GRF until the Department incurs related project costs.**

2. **We recommend the Department should also amend the Agri-Food Innovation Fund's 1999 financial statements and table the revised financial statements in the Legislative Assembly.**

The Department believes that since the Fund and the GRF are both part of the provincial government, any restrictions between the two cannot be considered to be external. Therefore, the Department thinks it is appropriate to record the money received from Canada and the GRF differently.

We disagree. We think the agreement between Canada and Saskatchewan externally restricts money in the Fund. Also, we think it is irrelevant whether both the Fund and the GRF are part of the provincial government. The GRF has provided money to the Fund to be used for specific projects (as set out in the agreement between Canada and Saskatchewan) and until the Fund spends money for those projects it has a debt to the GRF.

Sask Pork

Sask Pork operates programs and research for the development of the Saskatchewan pork industry. Sask Pork's powers are set out in *The Pork Industry Development Plan Regulations* under *The Agri-Food Act*. The Government controls Sask Pork through the Agriculture and Food Products Development and Marketing Council (Council).

For the year ended December 31, 1999, Sask Pork reported revenues of $1.8 million and net income of $0.5 million. At December 31, 1999, it reported assets of $0.9 million. Sask Pork's annual report includes its financial statements.

Reliability of the financial statements

Sask Pork's financial statements for the year ended December 31, 1999 may not be reliable.

As explained below, Sask Pork did not have adequate rules and procedures to ensure the completeness of conference fee revenue. As a result, we could not determine that Sask Pork recorded all conference fee revenue in its 1999 financial statements.

Rules and procedures needed for conference fee revenue

Sask Pork needs rules and procedures to safeguard and control conference fee revenue.

The board of directors must ensure management has established adequate written rules and procedures to safeguard and control conference fee revenue. The board should then approve the rules and procedures.

During the year, Sask Pork held various conferences to promote and develop the pork industry. Sask Pork made an agreement with a contractor to organize these conferences for Sask Pork. The agreement did not specify rules and procedures to ensure that Sask Pork received all conference revenues.

Conference revenues include revenues from donors, sponsors, and fees from people attending the conferences.

Sask Pork received $146,720 from the contractor for conference fee revenue. However, Sask Pork did not know if it received all conference fee revenue.

3. **We recommend that Sask Pork should establish rules and procedures to safeguard and control conference fee revenue.**

Written governance policies required

Sask Pork's board of directors needs written governance policies setting out what it expects from management.

Policies should prescribe how activities should be managed and should prohibit inappropriate action. Written policies also reinforce the directors' delegation of authority and employees' responsibilities.

We reported this matter in our 1999 Fall Report – Volume 2 and previous reports. In February 1998 and again in January 1999, the Standing Committee on Public Accounts concurred with our recommendation.

We continue to recommend:

- Sask Pork's directors should document their governance policies.

Management told us the directors continue to move forward in refining and documenting their governance policies.

Workers' Compensation Board

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Introduction

The Workers' Compensation Board (WCB) operates under *The Workers' Compensation Act, 1979* (Act). This Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The Board of the WCB administers this program and manages the WCB. It also hears and adjudicates claims on appeal.

The 1999 annual report of the WCB provided to the Legislative Assembly contains the WCB's 1999 financial statements. Those statements report revenues of $238 million, expenses of $245 million, operating surplus of $52 million before declared employer rebates and legislated obligation, net deficit of $7 million, and net assets of $132 million.

Our audit conclusion and findings

In our 2000 Spring Report to the Legislative Assembly, we reported that we had completed our work on the WCB's financial statements for the year ended December 31, 1999 and found WCB's financial statements are reliable. We also reported in our 2000 Spring Report, we had not completed all our work relating to the WCB's rules and procedures to safeguard and control its assets and the WCB's compliance with legislative authorities. We have now completed our work and report our conclusions and findings.

In our opinion for the year ended December 31, 1999:

- **the WCB had adequate rules and procedures to safeguard and control its assets, except for the disaster recovery plan needed; and**
- **the WCB complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing.**

We also report other matters for the Legislative Assembly's attention relating to management/auditor protocols and public disclosure of payments.

Disaster recovery plan needed

The WCB is dependent upon its computer systems. To provide continuous services, the WCB must ensure its systems and data are available when needed.

Sound contingency plans reduce the risk of systems failing, processing data inaccurately and business disruption. The WCB needs a written and tested contingency plan to ensure the recovery of systems and data in case the WCB's electronic systems fail or if key service providers or suppliers' systems fail.

We reported this matter in our 1999 Fall Report – Volume 2.

1. **We continue to recommend the WCB should prepare an adequate contingency plan and test that plan to ensure it works.**

The WCB and the appointed auditor need to follow management/auditor protocols

In our 2000 Spring Report, we reported that the WCB and the appointed auditor did not follow the management/auditor protocols for the 1999 audit as well as we had expected. We also reported the following:

- For the past two years, we had not been able to provide the Assembly with all the information it needed about the WCB because the WCB and the appointed auditor did not follow the management/auditor protocols as well as we had expected.
- To ensure the Assembly is served properly, and to ensure the WCB can plan accordingly, we will inform the WCB of the extent of our direct audit work for the 2000 audit.

As we state earlier, we have now completed our audit of the WCB for the year ended December 31, 1999.

For the majority of the work we have to do at the WCB for the year ended December 31, 2000, we plan to rely on WCB's appointed auditor. However, we will do work directly at WCB in the areas that we consider have significant risk. Our experience at WCB has shown us that the major risk area is the benefits liabilities and compensation expense. We have informed the WCB that we will do audit procedures directly on WCB's benefits liabilities and compensation expense for the year ended December 31, 2000. WCB agrees with our plan to do direct audit work.

Public disclosure of payments required

In our 1998 Spring Report, we reported the WCB needs to comply with the Standing Committee on Public Account's (PAC) recommendations to provide the Legislative Assembly a list of persons who received money from the WCB and the amount they received (payee information).

PAC has specified the required details of disclosure for government agencies. PAC also recommended different disclosure for certain kinds of payments on an *ad hoc* basis when PAC thinks different disclosure will not impair achieving its initial objectives for wanting payee information.

We think the Members of the Legislative Assembly (MLAs) have the following three objectives for requiring public disclosure of those persons who receive money from a government organization.

- MLAs want to monitor who gives money to political parties and who gets money from government organizations;
- MLAs want to ensure government organizations spend money objectively; and
- MLAs want to build public confidence by ensuring the use of public money is transparent.

The Legislative Assembly has said that the WCB should not publish a list of the names of individuals receiving compensation. However, the WCB spends a significant amount of money on costs other than compensation such as administration. The WCB has not provided the Assembly with payee information relating to the costs of administration.

On October 6, 1998, PAC considered this matter and recommended that the WCB work co-operatively with the Provincial Auditor to consider alternative public disclosure requirements and report back to PAC at a future meeting.

We met with the WCB's management to discuss alternative public disclosure requirements for the WCB's payee information. The WCB's management told us the WCB does not consider payee information an effective accountability tool. Management also told us the better alternative is for our Office to provide assurance to the Legislative Assembly on the WCB's specific rules and procedures for buying goods and services and setting salary grids for staff and management. While we agree MLAs would find this information useful, we do not think this information alone would be sufficient to meet the MLAs objectives for wanting payee information.

We also reported this matter in our 1999 Fall Report – Volume 2.

2. **We continue to recommend the WCB should publish a list of persons, other than injured workers, who received money from it and the amounts the person received following PAC's current minimum disclosure amounts. Alternatively, the WCB should discuss with PAC a different public disclosure requirement to meet the MLAs objectives.**

Executive Council

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Introduction

The purpose of the Office of the Executive Council (Department) is to facilitate and communicate decisions of the Executive Council (Cabinet). The Department:

- provides research, analysis, and policy advice to Cabinet and its committees;
- coordinates policy development and government communications; and
- manages Cabinet records.

The Department provides support to the Premier in his role as Head of Government, Chair of Cabinet, and Head of the political party with a mandate to govern.

The Department received $7.1 million from the General Revenue Fund and spent this money on its programs. The *Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure* (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts) contains information about the Department's expenses.

The following is a list of major programs and spending:

	Original Estimates	Actual
	(in millions of dollars)	
Administration	$ 2.7	$ 2.8
Communications, Media Services, House Business and Research	1.4	1.7
Cabinet Secretariat and Cabinet Planning Unit	1.5	1.0
Accommodation and central services	1.0	0.9
Members of Executive Council	0.7	0.7
	$ 7.3	$ 7.1

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2000:

- **the Department had adequate rules and procedures to safeguard and control its assets; and**

- **the Department complied with authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.**

We report two other matters for the Legislative Assembly's (Assembly) attention.

List of persons who receive money from government agencies needed

In past reports to the Assembly, we recommended all government agencies should provide the Assembly with a list of persons (e.g., employees, suppliers) who received money from those agencies.

The Standing Committee on Public Accounts (PAC) has considered the need for this information. PAC has recommended to the Assembly and the Assembly has agreed:

- on the required details of disclosure for government agencies;

- all government agencies reporting to Treasury Board should provide a list of persons who have received money; and

- Crown corporations should have the same public reporting requirements as government departments, unless otherwise stated in the mandate of the corporation.

We are often reminded that public disclosure is important for three reasons. First, public disclosure serves to remind all government officials they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision-making as it ensures those who spend public money know their use of that money will be public. Third, public disclosure ensures the public knows who has received their money.

We think Members of the Legislative Assembly (MLAs) have the following three objectives for requiring public disclosure of those persons who receive money from a government agency (e.g., department, Crown corporation).

- MLAs want to monitor who gives money to political parties and who gets money from government agencies;
- MLAs want to ensure government agencies spend money objectively; and
- MLAs want to build public confidence by ensuring the use of public money is transparent.

To achieve the MLAs' objectives, the Assembly, through PAC, has specified it wants the following general standard of public disclosure of who received money from government agencies. In addition, the Assembly wants this information tabled in the Assembly:

- persons who received salaries, wages, honorariums and compensation for personal services of $2,500 or more during the year;
- suppliers of goods and services who received more than $20,000 per year; and
- persons who received transfer payments of more than $5,000 per year.

The Assembly has allowed some exceptions, e.g., payments to social assistance recipients, Workers' Compensation Board payments to injured workers and cases where PAC advised that this information was not necessary to achieve the MLAs' objectives. Also, the Assembly has decided that some payments (e.g., those made to MLAs) should have more disclosure than the general standard.

However, the Assembly has not enacted any laws requiring government agencies to provide a list of persons (e.g., employees, suppliers) who received money from those agencies.

In February 1998, PAC discussed its previous recommendation regarding agencies making public lists of persons who have received money from them. PAC agreed the spirit of accountability is of fundamental importance for government. Also, PAC noted that circumstances for every government agency may be unique and may vary, and that broad recommendations that blanket all agencies are not appropriate.

Exhibit 1 lists those government agencies that do not make public a list of persons (e.g., employees, suppliers) who received money from those agencies. Those agencies represent about 40% of Government spending.

In November 1998, PAC recommended that the Provincial Comptroller work co-operatively with the agencies involved, the affected departments and our Office to develop a process that will achieve the desired degree of public disclosure and to report back to PAC. In Chapter 15 of our 1999 Fall Report – Volume 2, we recommended a process we think PAC should use. This process is set out in Exhibit 2. The process sets out criteria Members of the Legislative Assembly should use to decide what information agencies should disclose and to whom.

In June 2000, the Comptroller proposed a different process to PAC. PAC has not yet considered either our proposal or the Comptroller's proposal.

1. **We recommend:**

    - **all government agencies should make public a list of persons (e.g., employees, suppliers) who have received money from them and the amounts the persons received following the Assembly's current disclosure standard; or**

    - **government agencies should discuss alternate disclosure requirements that will achieve legislators' objectives for requiring this information with PAC or, if the Assembly so directs, with the Crown Corporations Committee.**

2. **We recommend that the Standing Committees of Public Accounts and Crown Corporations should follow the process we set out in Exhibit 2 when deciding the required public disclosure for government agencies.**

Improved public accountability required

The Department should provide an annual report to the Assembly to improve the Department's public accountability.

The Government Organization Exemption Regulations exempt the Department from the requirement to prepare an annual report.

The public could use an annual report to understand and assess the performance of the Department.

The annual report should describe useful and timely information. The annual report should describe:

- what the Department is all about;
- what the Department has done (including audited financial statements);
- where the Department is now; and
- what the Department plans to do.

We reported this matter to the Assembly in prior years. The Standing Committee on Public Accounts considered this recommendation and did not agree.

We continue to think an annual report would help the public understand and assess the performance of the Department and its use of public money.

Status of prior recommendation

In prior reports to the Assembly, we reported the Government should present legislation to the Assembly to amend *The Tabling of Documents*

Act, 1991 to allow tabling of reports through the Office of the Clerk when the Assembly is not sitting. The Government did so and the amended Act allows the tabling of reports when the Assembly is not sitting. This is a significant improvement to the Government's accountability. We commend the Government for introducing this legislation.

Exhibit 1 – Government agencies that do not make public a list of persons who received money from those agencies

Crown Investments Corporation of Saskatchewan and agencies it controls

(Based on the most recent information available which is as at December 31, 1999)

- Crown Investments Corporation of Saskatchewan and its share capital subsidiaries
    - CIC Industrial Interests Inc.
    - CIC Pulp Ltd.
    - Genex Swine Group Inc.
    - Western Canadian Beef Packers Inc.
- Northern Enterprise Fund Inc.
- Saskatchewan Development Fund Corporation
- Saskatchewan Development Fund
- Saskatchewan Government Growth Fund Management Corporation and its subsidiaries
    - Saskatchewan Government Growth Fund Ltd.
    - Saskatchewan Government Growth Fund II Ltd.
    - Saskatchewan Government Growth Fund III Ltd.
    - Saskatchewan Government Growth Fund IV Ltd.
    - Saskatchewan Government Growth Fund V (1997) Ltd.
    - Saskatchewan Government Growth Fund VI Ltd.
    - Saskatchewan Government Growth Fund VII Ltd.
    - Saskatchewan Government Growth Fund VIII Ltd.
    - 617275 Saskatchewan Ltd.
- Saskatchewan Government Insurance and its subsidiary
    - SGI CANADA Insurance Services Ltd.
- Saskatchewan Opportunities Corporation
- Saskatchewan Power Corporation and its subsidiaries
    - Power Greenhouses Inc.
    - SaskPower International Inc.
- SaskEnergy Incorporated and its subsidiaries
    - Bayhurst Gas Limited
    - Many Islands Pipe Lines (Canada) Limited

  - SaskEnergy International Inc.
  - SaskEnergy Chilean Holdings I Ltd.
  - SaskEnergy Chilean Holdings II Ltd.
  - SaskEnergy Chilean Holdings Limitada
  - TransGas Limited

Saskatchewan Telecommunications Holding Corporation and its subsidiaries

  - Saskatchewan Telecommunications
  - Saskatchewan Telecommunications International Inc.
  - DirectWest Publishing Partnership
  - Hospitality Network of Canada
  - IQ&A Partnership
  - SecurTek Monitoring Solutions Inc.
  - SecurTek Partnership No.1
  - SecurTek Partnership No.2
  - 3231518 Canada Ltd. (clickabid™)

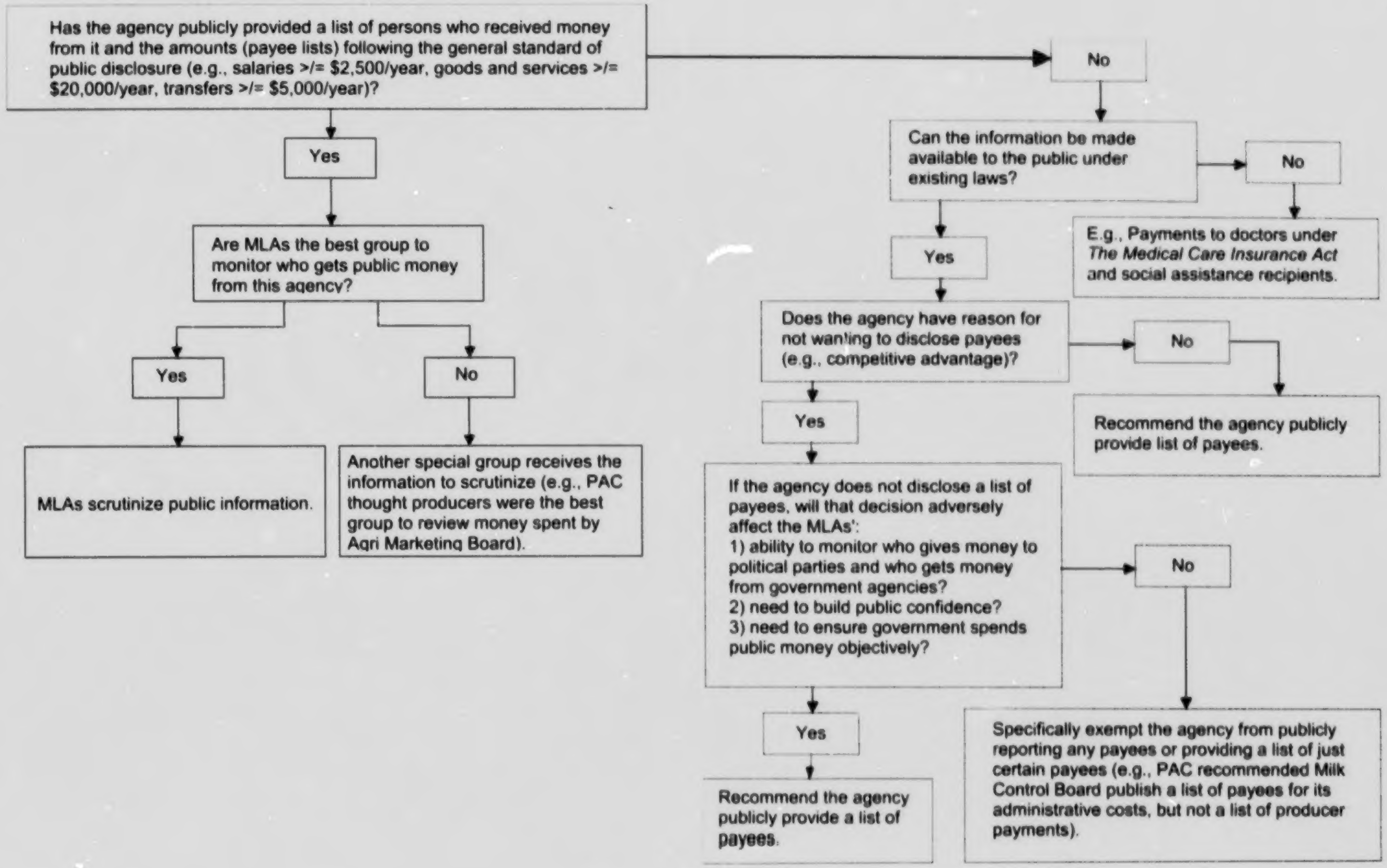
Saskatchewan Transportation Company
Saskatchewan Water Corporation

Other agencies

(Based on the most recent information available)

Department of Health – Prescription Drug Plan
First Nations Fund
Liquor and Gaming Authority (expenses related to Saskatchewan Indian Gaming Authority)
Saskatchewan Auto Fund
SaskPen Properties Ltd.
SP Two Properties Ltd.
Workers' Compensation Board

Exhibit 2 – Suggested criteria for MLAs' use for deciding what information government agencies should disclose and to whom


Has the agency publicly provided a list of persons who received money from it and the amounts (payee lists) following the general standard of public disclosure (e.g., salaries >/= $2,500/year, goods and services >/= $20,000/year, transfers >/= $5,000/year)?
Yes
Are MLAs the best group to monitor who gets public money from this agency?
Yes
MLAs scrutinize public information.
No
Another special group receives the information to scrutinize (e.g., PAC thought producers were the best group to review money spent by Agri Marketing Board).
No
Can the information be made available to the public under existing laws?
No
E.g., Payments to doctors under *The Medical Care Insurance Act* and social assistance recipients.
Yes
Does the agency have reason for not wanting to disclose payees (e.g., competitive advantage)?
No
Recommend the agency publicly provide list of payees.
Yes
If the agency does not disclose a list of payees, will that decision adversely affect the MLAs':
1) ability to monitor who gives money to political parties and who gets money from government agencies?
2) need to build public confidence?
3) need to ensure government spends public money objectively?
No
Specifically exempt the agency from publicly reporting any payees or providing a list of just certain payees (e.g., PAC recommended Milk Control Board publish a list of payees for its administrative costs, but not a list of producer payments).
Yes
Recommend the agency publicly provide a list of payees.

Learning from Year 2000

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Glossary

Mission critical system – One or more automated processes that supports a core business function.

Year 2000 issue – A design flaw in how automated processes treat the Year 2000 and subsequent years. It includes the problems that might be encountered in any level of computer hardware and software that needs to correctly interpret year-date data represented in 2-digit-year format.

Year 2000 ready – A system can process date/time data (including, but not limited to, calculating, comparing, and sequencing) accurately from, into and between the twentieth and twenty-first centuries, and the years 1999 and 2000 and leap year calculations.

Contingency plan – A series of procedures for an organization to follow so that it will continue operating if a key business process fails.

Introduction

In this Chapter, we comment on the important lessons learned and practices developed by the Government in its preparation for the Year 2000. The Government estimated it cost about $100 million dollars updating, replacing and testing systems, as well as, planning for the possibility of a disaster. We also present some of the benefits of the Year 2000 work and future challenges to government that will be aided by lessons learned.

Year 2000 issues received a lot of attention world-wide because of the cost and the potential disruption to essential services. This is our fifth and final chapter on Year 2000. The Year 2000 issues have been described in our previous reports. We summarized our recommendations in Exhibit 1. The two significant dates surrounding Year 2000 (January 1st and February 29th) have passed with no significant issues. Much effort was expended and much was learned.

Background

The Government recognized the need to make its agencies accountable to be Year 2000 ready. As Year 2000 approached the Government needed to ensure its critical programs and services were Year 2000 ready and there were plans in place to deal with an emergency. The Government made all its agencies accountable to ensure their mission critical systems were Year 2000 ready. The Government monitored agencies' progress with the Information Technology Office at Economic Development, Crown Investments Corporation of Saskatchewan (CIC), Department of Health and Saskatchewan Emergency Planning (SEP).

Observations

Benefits of Year 2000 work

As a result of their Year 2000 work:

- The Government has more current and detailed contingency plans. The contingency plans help the Government ensure it can provide critical services that impact the health, safety and economic well being of its citizens. Contingency planning ensured more Government agencies are knowledgeable on IT risks and better prepared for future emergencies.

- The Government has replaced or upgraded many of its computer systems, bio-medical devices and related technologies. This upgraded technology will help Government better deliver its services.
- The Government has improved its testing procedures. Systems were tested and the testing was documented to ensure there was evidence that reasonable steps were taken to fix the systems. Better testing practices will help ensure systems meet Government needs.
- Government agencies improved their inventory of computer systems and related technologies. If maintained, this will help the Government manage an important part of its infrastructure.

Lessons learned from the Year 2000 work

The Government learned a lot from its Year 2000 work, here are a few of the important lessons learned:

- Making each agency accountable for the success of their Year 2000 work and having independent agencies monitor and report on their progress was a successful strategy in meeting the Government objective of being Year 2000 ready.
- Strong communication between Crown corporations, departments and other agencies helped ensure all parts of government were working together to accomplish the same goal. SaskPower, SaskTel and SaskEnergy worked together to ensure their readiness and to communicate consistent messages to the public.
- Communicating best practices from across the country to government agencies helped to ensure they were prepared for Year 2000.
- Well-documented and tested contingency plans are important to ensure the continuous running of government. Government

agencies completed or updated many of their contingency plans to be prepared for Year 2000.

- Strong senior management commitment and involvement helped ensure the success of many Year 2000 projects.

Future challenges

The Government still faces many challenges:

- To prepare information technology (IT) strategic plans based on the strategic plans of Government and its agencies. Year 2000 reinforced the need for long-term strategic thinking on how IT will help the Government deliver services.
- To ensure the Government's upgraded IT is used to improve electronic delivery of government services.
- To ensure that IT is secure enough to allow the Government to improve electronic services to the public.
- To maintain complete inventories of government systems and resources.
- To complete the documentation and testing of contingency plans in all government agencies.

Summary

The Government should be commended for its hard work and diligence in preparing for the Year 2000. It put into place an accountability structure, CEO's took responsibility to ensure their agencies were prepared, inventories were prepared, threat and risk analysis were done and most contingency plans were prepared. Many benefits were realized and Government is now better positioned to make future improvements and capitalize on the improvements it has made to its information systems.

Exhibit 1 – Past recommendations

In the 1998 Fall Report – Volume 2, we recommended:

1. We recommend that the Government's new Year 2000 Project Co-ordination Office help set priorities, resource needs and contingency plans for the Government.

2. We recommend that the Year 2000 Project Co-ordination Office report regularly to the Standing Committee on Public Accounts on the Government's progress on the Year 2000 issue.

3. We recommend that senior management approve its Year 2000 plans including detailed budgets and Year 2000 assessments and periodically report on progress to the Year 2000 Project Co-ordination Office.

4. We recommend that the Government establishes rules and procedures for ensuring third parties and business partners know their responsibilities to become Year 2000 compliant.

5. We recommend that all government agencies have a formal, approved and tested Year 2000 contingency plan.

We reviewed the work of the Y2K Office and CIC in the spring of 1999 and made the following recommendations in our 1999 Spring Report:

1. We continue to recommend that the Government takes reasonable steps to ensure its third parties and business partners were Year 2000 ready.

2. We continue to recommend that all government Crowns and agencies complete a formal, approved and tested Year 2000 contingency plan by the end of the third quarter of 1999.

3. We recommend that the Y2K Office and CIC record the lessons learned from the Year 2000 work so that they can be used in future government projects.

Chief Electoral Officer

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Introduction

The Office of the Chief Electoral Officer (Electoral Office) operates under *The Election Act, 1996*. The Electoral Office's role is to ensure public confidence in the integrity of the electoral process for the Saskatchewan electorate. It is responsible for the administration of provincial elections, by-elections and election finances. It also periodically conducts referenda and plebiscites under *The Referendum and Plebiscite Act* and time votes under *The Time Act*.

As set out in the *Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure* (1999-2000 Public Accounts – Volume 2) (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts), the Electoral Office spent $6.8 million in 1999-2000 ($0.9 million: 1998-1999). These expenditures include reimbursements to registered political parties and candidates for the election expenses they incurred.

Background

The Election Act, 1996 came into effect January 1, 1997. In May 1998, the Act was changed to establish the Office of the Chief Electoral Officer as an office independent from the Executive Government. It makes the Chief Electoral Officer an officer of the Legislative Assembly and introduced expanded reporting by the Office to the Assembly.

This Act is an integral part of electoral reform in Saskatchewan. The Act reinforces the public's need for information. The public needs to know who contributes to registered political parties and candidates and how much was given. In addition, the public needs to know how much election expenses political parties and candidates incur and if those amounts are for legitimate purposes.

The Act contains provisions to help ensure the electoral process is transparent. It requires public disclosure of key information on amounts contributed (e.g., donations) and spent by candidates during the election and by registered political parties both during the election and outside of the election period. It also sets limits on amounts spent by candidates and registered political parties. See Exhibit 1 for further details.

Exhibit 1 – Key provisions of *The Election Act, 1996*

Contributions: Candidates and registered political parties must disclose all contributions received. Contributions include gifts, loans or any forms of assistance (e.g., money, goods, services). The name of the contributor and the amount contributed must be disclosed for any contribution greater than $250 in a year.

Spending limits: Candidates and registered political parties can only incur election expenses as defined by the Act to maximums set out in the Act. For example, for 1999, a candidate in a southern constituency may incur expenses up to the greater of $40,085 or $2.66 times the number of the names on the voters list and a registered political party may incur election expenses up to $660,075.

Reimbursement of eligible expenses: Candidates who receive at least 15% of the vote cast in an election are reimbursed 50% of their eligible expenses up to the maximum spending limit. Registered political parties who have endorsed candidates who receive at least 15% of the vote cast in aggregate in an election are reimbursed 33% of their eligible expenses up to the maximum spending limit.

Election returns: Both candidates and registered political parties must submit audited election returns. Election returns for candidates must show both their contributions received and election expenses incurred, and must be filed with the Electoral Office within three months after the election. Election returns for registered political parties must show the election expenses incurred and be filed with the Electoral Office within six months of the election. The Electoral Office has the right to request supporting information.

Annual returns for registered political parties: Registered political parties must file each year, within four months of the party's fiscal year end, audited annual returns showing contributions received and expenses incurred for that fiscal year. The Electoral Office has the right to request supporting information.

Information available to public: Return information and supporting documents are maintained by the Electoral Office and are available for public review. The Electoral Office must prepare summary reports of elections and of the Office's progress and activities.

The first election under the new Act was in June 1998. From April 1, 1998 to March 31, 1999, the Electoral Office administered two by-elections, one on June 24, 1998 and the other on October 26, 1998. From April 1, 1999 to March 31, 2000, the Electoral Office administered three by-elections on June 28, 1999 and a general election on September 16, 1999. As part of the general election, it administered recounts of votes in two constituencies.

Audit conclusions and findings

In our opinion, for the two years ending March 31, 2000:

- **the Electoral Office had adequate rules and procedures to safeguard and control its assets except for matters reported in this Chapter about the completeness of registered political party and candidate election expenses and registered political party contributions reported on returns; and**
- **the Electoral Office complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for matters reported otherwise in this Chapter.**

Improved public accountability required

The Electoral Office did not provide the Legislative Assembly with several documents required by the Act.

The Act requires the Electoral Office to prepare important accountability information and provide it to the Assembly. This information provides legislators and the public with summarized information on the results of the electoral process and on the affairs of the Electoral Office.

The Act requires the Electoral Office to submit to the Speaker reports on:

- its progress and activities each year (annual report);
- all actions taken in an election as a result of invoking the emergency powers section;
- each election (election report), as soon as practical after the election, summarizing:
  - the election returns and reports of registered political parties and candidates;
  - the set-up and use of mobile polls during the election; and
  - all applications made to the Electoral Office and what the Electoral Office decided; and

- reimbursement (reimbursement report) paid to each registered political party and candidate as soon as practical after the reimbursement amounts are known.

The Speaker must table these reports in the Assembly. The timing of the tabling of these reports is set by *The Tabling of Documents Act, 1991*.

For the two-year period ending March 31, 2000, the Electoral Office prepared and released numerous reports. These reports provide some of the information the Act expects. For example, it provided a summary of candidate's receipts and expenses for each of the aforementioned elections in the *Saskatchewan Gazette*. It also prepared the following three reports for tabling:

- A report on emergency actions taken during the general election as expected by the Act. The Electoral Office provided this report to the Speaker who tabled it in the Assembly on December 8, 1999.

- *Elections Saskatchewan: Statement of Votes – Volume 1* for the general election held September 16, 1999 in response to the Act. The *Statement of Votes – Volume 1* includes an overview of the election, lists of election officials (e.g., returning officers), registered political parties, candidates and elected members. It also includes voting results by polling division within each constituency. The Electoral Office provided the Speaker with this report on August 1, 2000. This report was tabled on October 17, 2000. The Electoral Office did not prepare or provide similar reports for the 1998 and 1999 by-elections.

- *Detail of Expenditures under The Election Act, 1996, All Constituencies 1998-99* report in response to an April 1, 1949 request of the Select Standing Committee on Public Accounts and Printing. This report contains very detailed information on election costs by constituency for a particular year. The Electoral Office provided this report to the Minister of Finance for tabling in the Assembly. See Exhibit 2 for details.

Exhibit 2 - Summary of Detail of Expenditure reports.

Standard report content: For each constituency, the Report details the costs of returning officers, enumerators by poll, rental and staffing by poll, reimbursement of candidates' expenses, reimbursement of election auditors' fees, travel, telephone, advertising, stationary and rental.

The report which included detailed expenses for the two 1998 by-elections was tabled on December 16, 1999.

The report which included detailed expenses for the three 1999 by-elections and the 1999 general election was provided to the Minister of Finance on October 25, 2000 and was tabled on October 26, 2000.

At the time of this Chapter, the Electoral Office had not provided the Speaker with, for tabling in the Assembly:

- an annual report;
- all of the information required for the election reports of the general election and each by-elections mentioned earlier; and
- a reimbursement report of amounts paid to each registered political party for the general election and each by-election mentioned earlier.

1. **The Electoral Office should prepare and submit to the Speaker all reports as required by *The Election Act, 1996*.**

The Electoral Office told us it is preparing a report for the 1999 general election and the five by-elections held in 1998 and 1999. It intends to provide summarized information on the registered political parties' and candidates' election returns in this report. The Electoral Office also plans to prepare an annual report.

Status of previous recommendations

Since 1994, we have expressed concerns about public accountability and how the Electoral Office carries out its responsibilities. We expressed concern that the Electoral Office does not have sufficient information to identify anonymous donations and that the Electoral Office does not know if registered political parties' and candidates' election expenses are within the legal spending limits. These concerns resulted from the Electoral Office's directives to auditors. These directives do not require the auditors to ensure the returns of registered political parties and candidates include all contributions and expenses.

The Electoral Office reviews all returns submitted by candidates and registered political parties in detail. It has strong controls to ensure it reimburses candidates and registered political parties for eligible election expenses. It also checks the amounts reported on the returns to other information it has obtained. The Electoral Office takes steps to ensure the public has access to all information reported on the returns.

However, the Electoral Office has not yet fully complied with our recommendations. The outstanding recommendations, as stated in Chapter 19 of our 1998 Fall Report – Volume 2, are:

1. The Electoral Office should:
   - complete its review of donations for 1996 and the six prior years, collect anonymous donations from the political parties and deposit them in the General Revenue Fund; or
   - request the Board of Revenue Commissioners to cancel the collection of these anonymous donations.

2. The Electoral Office should issue directives:
   - requiring political parties' auditors to submit audit reports to the Electoral Office that indicate whether all contributions received and all expenses incurred by the political parties are reported in their returns; and
   - requiring candidates to use specific procedures to receive and disburse money and to submit audit reports to the Electoral Office that indicate whether candidates have complied with those procedures.

The Standing Committee on Public Accounts recommended in its 3rd report of the 23rd Legislature that the Electoral Office request the Board of Revenue Commissioners to cancel the collection of any anonymous donations for 1996 and for the six prior calendar years. The Electoral Office has not asked the Board of Revenue Commissioners to cancel the collection of these anonymous donations. Also, the Committee agreed with our second recommendation as stated above.

The following section provides the Assembly with an update on the status of the second recommendation.

Status of ensuring completeness of returns

The Electoral Office's procedures to ensure all contributions to registered political parties are reported on the returns and to ensure all election expenses incurred by candidates and registered political parties are reported on the returns continue to need improvement.

The law requires registered political parties and candidates to keep appropriate accounting records. In 1998, the Electoral Office provided guidance and standard forms to registered political parties, candidates, and their staff on proper accounting, eligibility of election expenses, and audit requirements for the returns. In addition, the Electoral Office provided guidance to the auditors of both registered political parties and candidates. The Electoral Office held education sessions for registered political parties, candidates, and their staff to explain the rules and process expected. It also provided on-going advice.

While the Electoral Office's guidance to registered political parties, candidates and their staff is good, the current guidance for auditors needs to change. The Act expects auditors of registered political parties and candidates to state "whether or not the returns present fairly the information contained in the accounting records on which the return is based and to report if proper accounting records have not been kept[1]." These sections of the Act ensure the information reported on the returns is accurate and complete, i.e., the auditor would report whether or not all contributions received and all expenses incurred are included on the returns in all significant respects. If the auditor reports the accounting records are not adequate to determine if contributions and expenses are complete, the Electoral Office would need to act to correct the matter.

The Electoral Office does not agree with this interpretation of the Act. The Electoral Office's guidance to auditors reflects its interpretation of the Act.

The guidance that the Electoral Office provides does not expect the auditors to examine and report on whether the information in the returns is complete. For example as set out in Exhibit 3, the sample audit report contained in its guidance to auditors of annual returns of registered political parties states:

---

[1] Section 237 and 238 for auditors of registered political parties and candidates respectively.

> Due to the nature of the types of transactions inherent in organizations of this type, it is impracticable through auditing procedures to determine that the accounting records include all transactions of the fiscal period. Accordingly, my/our verification of these transactions was limited to amounts recorded in the accounting records of the registered political party and I was/we were not able to determine whether any adjustment might be necessary to those revenues.[2]

The sample audit reports of election returns for registered political parties and for candidates contain a similar statement relating to expenses. See Exhibit 3 for extracts of the sample audit reports.

Exhibit 3 – Extracts from Electoral Office's guidance to auditors - sample audit reports

Registered Political Party annual return[2]
"Due to the nature of the types of transactions inherent in organizations of this type, it is impracticable through auditing procedures to determine that the accounting records include all transactions for the fiscal period. Accordingly, my/our verification of these transactions was limited to the amounts recorded in the accounting records of the registered political party and I was/we were not able to determine whether any adjustments might be necessary to those revenues."

Registered Political Party return of election expenses[3]
"Due to the nature of the types of transactions inherent in organizations of this type, it is impracticable through auditing procedures to determine that the accounting records include all transactions for the campaign period. Accordingly, my/our verification of these transactions was limited to the amounts recorded in the accounting records of the registered political party and I was/we were not able to determine whether any adjustments might be necessary to those expenses."

Candidate return of election expenses[4]
"Due to the nature of the types of transactions inherent in any election campaign, it is impracticable through auditing procedures to determine that the accounting records include all transactions for the campaign period. Accordingly, my/our verification of these transactions was limited to the amounts recorded in the accounting records of the business manager and candidate and I was/we were not able to determine whether any adjustments might be necessary to those expenses."

These statements mean that candidates and registered political parties are not expected to have proper books that include all expenses. In addition, these statements mean that registered political parties are not expected to have proper books that include all contributions. In our opinion, the Electoral Office does not receive, as the Act expects, information from the auditors that election expenses reported are complete and that registered political parties' contributions reported are complete.

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[2] E-528 Auditor's Guide to Provisions of *The Election Act, 1996* (Registered Political Party) page 9.
[3] E-528 Auditor's Guide to Provisions of *The Election Act, 1996* (Registered Political Party) page 10.
[4] E-404 Auditor's Guide to Provisions of *The Election Act, 1996* (Candidate) page 8.

As a result, the public does not know whether the information disclosed to them in the returns is complete. This means the public may not be told about all persons or companies who give money to registered political parties and candidates, and where registered political parties and candidates use this money. Also, the Electoral Office does not have sufficient information to ensure that all anonymous donations have been given to the General Revenue Fund as required by the Act nor does the Electoral Office know if the registered political parties' and candidates' election expenses are within the legal spending limits.

2. **We recommend that the Electoral Office comply with the Standing Committee on Public Accounts' recommendation by requesting that the Board of Revenue Commissioners cancel the collection of any anonymous donations for 1996 and for the six prior calendar years.**

3. **We recommend that the Electoral Office issue guidance to candidates' and registered political parties' auditors that requires them to verify whether all contributions received and all expenses incurred are reported on the returns and report on such in their audit reports.**

The Electoral Office told us it would give due and proper consideration to our recommendations.

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Board of Internal Economy

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Introduction

The Board of Internal Economy (Board) assists Members of the Legislative Assembly (MLAs) to perform their responsibilities. It provides funding and support services to MLAs, to the Legislative Assembly and its committees. It also informs the public of the Legislature's activities. The Board provides administrative services for the Office of the Ombudsman and the Children's Advocate, the Information and Privacy Commissioner, and the Conflict of Interest Commissioner.

In 1999-2000, the Board received $15.1 million from the General Revenue Fund and spent this money on its programs. Information about the Board's expenditures appears in the Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure (1999-2000 Public Accounts – Volume 2) (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts).

The following is a list of major programs and spending:

	Original Estimates	Actual
	(in millions of dollars)	
Payments and Allowances to MLAs	$ 9.1	$ 9.0
Legislative Assembly Services	3.2	2.9
Administration	2.0	2.0
Caucus Operations	1.0	1.0
Other	0.2	0.2
	$ 15.5	$ 15.1

Key risks the Board faces

The Board plays a key role in helping MLAs perform their important responsibilities. How MLAs carry out their duties influences the quality and effectiveness of the government and the public's confidence in our parliamentary system of government. Responsibilities of MLAs include:

- making the laws that govern people and the Executive Government;

- holding the Executive Government accountable for how it carries out its activities; and
- representing their constituencies in the Assembly.

In assisting MLAs to carry out their important responsibilities, the Board faces many risks. Four key risks the Board needs to manage are:

- to ensure the Legislative Assembly and its committees can function effectively;
- to ensure MLAs can access from the Board appropriate resources, information, and advice to enable them to effectively carry out their responsibilities in the Assembly;
- to ensure MLAs can access from the Board appropriate resources to carry out their activities in their constituencies and are accountable for the use of those resources; and
- to ensure the public can assess whether the work of the Assembly and MLAs is relevant and done well.

For additional discussion of these key risks and the Department's strategies to manage them, see our 1999 Fall Report – Volume 2.

Our audit conclusions and findings

In our opinion for the year ended March 31, 2000:

- **the Board had adequate rules and procedures to safeguard and control its assets except for payments made to caucus offices and the need for better internal reports; and**
- **the Board complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing, except for payments made to caucus offices.**

We also note one other matter relating to improving public accountability for the Legislative Assembly's attention.

Better control over the expenses of caucus offices required

The Board needs to further improve its rules and procedures to know if caucus offices manage public money appropriately.

The Board provides public money to caucus offices for research, secretarial, and other general expenses. A caucus office consists of two or more MLAs who belong to the same political party.

During the year, the Board paid the following money to caucus offices.

	Original Estimates	Actual
Government Caucus	$ 429,000	$ 346,399
Opposition Caucus	340,000	458,185
Third Party Caucus/ other Caucus	223,000	172,515
Independent	13,000	2,944
	$ 1,005,000	$ 980,043

The Board is accountable to the Assembly for how caucus offices manage public money and must ensure the public money it gives to the caucus offices is spent for the purposes intended by the Board.

The Board has improved its rules and procedures for monitoring how caucus offices manage public money. The Board requires all caucus offices to submit audited financial statements and audited schedules of capital assets to the Board each year. The Board makes the reports available for public viewing and tables the reports in the Legislative Assembly.

However, the Board does not know if caucus offices spend the money for the intended purposes. Audited financial statements and schedules of capital assets do not provide the necessary information to know if the caucus offices spent the money for intended purposes. The Board should require caucus offices to provide reports from their auditors indicating whether the caucus offices:

- have adequate rules and procedures to safeguard and control public money; and

- used the money in compliance with the Board's directives.

As described earlier, the auditors of the caucus offices were not asked to report to the Board on these matters, and we do not audit caucus offices directly. As a result, we are unable to determine whether caucus offices have adequate rules and procedures to safeguard and control public money or whether they used the money in compliance with the Board's directives.

A recent fraud conviction of a former MLA, for the inappropriate use of money provided to a Caucus office reinforces the need for the Board to reconsider its rules and procedures over the expenses of caucus offices.

We also reported this matter in previous years.

1. **We recommend the Board establish rules and procedures to ensure the money provided to caucus offices is spent for the purposes intended by requiring caucus offices to have their auditors report to the Board on:**

    - **the adequacy of the caucus offices' rules and procedures to safeguard and control public money; and**

    - **whether the caucus offices used the money given to them in compliance with the Board's directives.**

Better internal reports required

The Board needs to continue to improve the performance reports it requires from management.

The Board must have sound performance reports to:

- ensure the Board is meeting its goals and objectives;
- monitor management's performance; and
- provide a sound basis for preparing an annual report (see page 333).

The Board receives quarterly financial reports that compare planned results to forecasted results to the end of the year, with explanations of significant differences. The reports provided to the Board need to be improved. The reports should also include a comparison of actual results for the period with planned results, with explanations of significant differences.

In addition, the Board does not receive operational reports that show the effectiveness of the Board's programs and services (i.e., what results the Board expects and how it is performing towards those expectations).

The Board needs to tell management what its operational goals and objectives are and the performance targets and measures needed to monitor progress in achieving its goals and objectives. Management should then prepare, for the Board's review and approval, operational reports that show progress towards its operational goals and objectives.

We also reported this matter in previous years.

2. We recommend the Board should:

- **define and document its operational goals and objectives;**
- **define performance targets and measures needed to monitor progress in achieving its goals and objectives;**
- **define and document the operational reports it expects to receive from management; and**
- **regularly receive and approve interim reports. These reports should compare actual results to planned results for the year-to-date and explain significant differences.**

Annual report needed

The Board does not prepare an annual report on its performance.

The Legislative Assembly and Executive Council Act does not require the Board to prepare an annual report. However, almost all government organizations provide the Assembly with an annual report. In addition, the Standing Committee on Public Accounts recommended that all government departments provide timely annual reports on their activities.

To assess performance of public sector agencies, Members of the Legislative Assembly and the public need to know how the agency is managing its key risks. They also need to know information about the agency's goals and objective and how successful the agency has been in achieving those goals and objectives. Annual reports can provide this information.

To be good accountability documents, annual reports should also describe what the public agency is all about, how it manages its key risks, what it has done, where it is now and what it plans to do. In addition, to ensure the information in the report is relevant and understandable, the annual report should be written clearly and be available promptly after the agency's year end.

As we noted earlier, the Board also needs to improve its internal reports. These reports would provide a sound basis for the preparation of an annual report.

The Board plays a key role in fostering public confidence in our parliamentary system of government. An annual report would contribute to public confidence.

We also reported this matter in previous years.

3. **We recommend the Board should prepare an annual report on its performance and provide the report to the Legislative Assembly.**

The Board told us it:

> …continues to believe that the best means of enabling the public to assess whether the work of the Assembly and MLAs is relevant and well-done is by ensuring complete and free public and press access to House and Committee proceedings through television, printed Hansard, the internet website and open, public meetings.

Appendix 1

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) "**acting provincial auditor**" means the acting provincial auditor appointed pursuant to section 5;

(a.1) "**appointed auditor**" means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) "**audit**" means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) "**Crown**" means Her Majesty the Queen in right of Saskatchewan;

(d) "**Crown agency**" means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) "**Crown-controlled corporation**" means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) "**fiscal year**" means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) "**provincial auditor**" means the Provincial Auditor for Saskatchewan appointed pursuant to section 3;

(h) "**public money**" means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) "**public property**" means property held or administered by the Crown. 1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4.

APPOINTMENT AND OFFICE

Appointment of provincial auditor

3(1) After consultation with the Chairman of the Standing Committee of the Legislative Assembly on Public Accounts, the Lieutenant Governor in Council shall appoint a person as the Provincial Auditor for Saskatchewan.

(2) The provincial auditor is an officer of the Legislative Assembly and holds office during good behaviour.

(3) **Repealed**. 1986-87-88, c.26, s.5.

(4) The provincial auditor may resign his office at any time by forwarding a written notice addressed to:

(a) the Speaker; or

(b) where there is no Speaker or the Speaker is absent from Saskatchewan, the President of the Executive Council.

(5) The Lieutenant Governor in Council may suspend or remove the provincial auditor from office only for cause and on the address of the Legislative Assembly. 1983, c.P-30.01, s.3; 1986-87-88, c.26, s.5.

Salary

4(1) Subject to subsection (2), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Where, as a result of a calculation made pursuant to subsection (1), the provincial auditor's salary would be less than his previous salary, he is to be paid not less than his previous salary.

(3) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided to deputy ministers.

(4) The provincial auditor's salary is a charge on the consolidated fund. 1983, c.P-30.01, s.4.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor. 1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan. 1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisors, specialists or consultants that he considers necessary. 1983, c.P-30.01, s.7.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the office of the provincial auditor are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The disability income plan, the public employees dental plan and the group insurance plan applicable to the public servants of Saskatchewan and any plan introduced to replace or substitute for those plans apply or continue to apply, as the case may be, to the provincial auditor and the employees of the office of the provincial auditor.

(4) *The Public Service Superannuation Act* and *The Superannuation (Supplementary Provisions) Act* apply to the provincial auditor and the permanent and full-time employees of the office of the provincial auditor, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the office of the provincial auditor and accumulated under those Acts, prior to the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the office of the provincial auditor and the general business of the office and shall oversee and direct the staff of the office. 1983, c.P-30.01, s.8.

Confidentiality
9 The provincial auditor shall require every person employed in his office who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation. 1983, c.P-30.01, s.9.

Delegation of authority
10 The provincial auditor may delegate to any member of his office the authority to exercise any power or to perform any duty conferred on him pursuant to this Act, other than the duty to make his annual report or a special report to the Legislative Assembly. 1983, c.P-30.01, s.10.

DUTIES AND POWERS

Examination of accounts
11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants. 1986-87-88, c.26, s.6.

Reliance on report of appointed auditor
11.1(1) In the fulfillment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) Where the provincial auditor determines pursuant to subsection (1) that he is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(3) Where the provincial auditor has performed additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (2), he shall report in his annual report pursuant to this section:

(a) the reason that he was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work he conducted; and

(c) the results of the additional audit work. 1986-87-88, c.26, s.6.

Annual Report
12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant. 1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report
13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent. 1983, c.P-30.01, s.13.

Tabling of reports
14(1) Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as practicable:

(a) his annual report prepared pursuant to section 12;

(b) any supplemental report based on the financial statements of the Government of Saskatchewan; and

(c) any special report that is prepared by him pursuant to section 13;

and the Speaker shall, as soon as practicable, lay before the Legislative Assembly each report received by him pursuant to this subsection.

(2) Where the Legislature is not in session when the Speaker is required to lay the reports referred to in subsection (1) before the Legislative Assembly, the Speaker shall submit the reports to the Clerk of the Legislative Assembly, whereupon such reports shall be deemed to be tabled.

(3) On receipt of the reports referred to in subsection (1), the Clerk of the Legislative Assembly shall:

(a) cause copies of the reports to be delivered to all members of the Legislative Assembly;

(b) make the reports available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(4) Where the Speaker submits the reports referred to in subsection (1) to the Clerk of the Legislative Assembly pursuant to subsection (2), those reports shall be deemed referred to the Standing Committee of the Legislative Assembly on Public Accounts. 1994, c.44, s.2.

Certification of Statements
15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor. 1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments
16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council. 1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance. 1983, c.P-30.01, s.17.

Cancelled securities
18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself that the securities described in clause (a) have been properly cancelled; and

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities. 1983, c.P-30.01, s.18.

Attendance before Public Accounts Committee
19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the items described in clause (a). 1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee
20(1) An audit committee, composed of not more than five persons appointed by the Lieutenant Governor in Council, is established.

(2) No Member of the Legislative Assembly is eligible to be a member of the audit committee.

(3) The Lieutenant Governor in Council shall designate one member of the audit committee as chairman.

(4) The audit committee may determine its rules of procedure. 1983, c.P-30.01, s.20.

Meetings of audit committee
21 On the request of the provincial auditor or the Minister of Finance, the chairman of the audit committee shall call a meeting of the audit committee to review any matter that, in the opinion of the provincial auditor or the Minister of Finance, as the case may be, should be considered by the committee. 1983, c.P-30.01, s.21.

Information on scope and results of audits
22 The provincial auditor may give the audit committee any information that he considers appropriate to enable the audit committee to advise the Lieutenant Governor in Council on the results of any audit or examination made by him. 1983, c.P-30.01, s.22.

Availability of reports
23 The provincial auditor shall present to the audit committee:

(a) his annual report; and

(b) any special report prepared pursuant to section 13;

before he submits the report to the Speaker. 1983, c.P-30.01, s.23.

GENERAL

Right to information, accommodation
24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed. 1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries
25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*. 1983, c.P-30.01, s.25.

Working papers
26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature. 1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor
26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan. 1986-87-88, c.26, s.12.

Auditor to audit office of provincial auditor
27(1) An accountant, who is:

(a) a member in good standing of the Institute of Chartered Accountants of Saskatchewan;

(b) not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the office of the provincial auditor; and

(c) appointed by the Lieutenant Governor in Council;

shall audit the accounts of the office of the provincial auditor.

(2) An auditor appointed under subsection (1) has the same powers and shall perform the same duties in relation to an audit of the office of the provincial auditor that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(3) The auditor of the office of the provincial auditor shall submit his report to the Standing Committee of the Legislative Assembly on Public Accounts. 1983, c.P-30.01, s.27.

Fees
28 The provincial auditor may charge a reasonable fee for professional services provided by his office. 1983, c.P-30.01, s.28.

Limitation of liability
29 The provincial auditor, the employees in his office and any advisor, specialist or consultant engaged pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act. 1983, c.P-30.01, s.29.

Information confidential
30 The provincial auditor, any employee in his office, an appointed auditor, any employee of an appointed auditor or any advisor, specialist or consultant engaged pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his knowledge in the course of his employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law. 1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13.

Appropriation

31 Subject to subsection 4(4), any sums required by the provincial auditor for the purposes of this Act are to be paid from moneys appropriated by the Legislature for the purpose. 1983, c.P-30.01, s.31; 1986-87-88, c.26, s.14.

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force. 1983, c.P-30.01, s.32.

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Appendix 2

List of and status of organizations subject to an examination under *The Provincial Auditor Act*

Appendix 2 lists the departments, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly and other organizations subject to an audit examination under *The Provincial Auditor Act* at March 31, 2000.

This Appendix includes the status of all the audits at November 27, 2000 for government organizations with fiscal periods ended June 30, 2000 or earlier. The Appendix also indicates whether we have significant issues to report as a result of our audits and where these issues are reported.

Our goal is to report the results of our audits of organizations with March fiscal year-ends in our fall reports and organizations with December fiscal year-ends in our spring reports. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To ensure we provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Public Agency	Year end on or before June 30, 2000	Status at November 27, 2000[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2000 Fall V1
Departments and Secretariats:			
Department of Agriculture and Food	March 31	Complete	No
Department of Economic and Co-operative Development	March 31	Complete	No
Department of Education	March 31	Complete	Yes/2000 Fall V3
Department of Energy and Mines	March 31	Complete	Yes/1999 Fall V2
Department of Environment and Resource Management	March 31	Complete	Yes/2000 Fall V3
Department of Finance	March 31	Complete	Yes/2000 Fall V3
Department of Health	March 31	Complete	Yes/2000 Fall V3
Department of Highways and Transportation	March 31	Delayed	
Department of Intergovernmental and Aboriginal Affairs	March 31	Complete	No
Department of Justice	March 31	Complete	Yes/2000 Fall V3
Department of Labour	March 31	Complete	No
Department of Municipal Affairs, Culture and Housing	March 31	Delayed	
Department of Post-Secondary Education and Skills Training	March 31	Complete	Yes/2000 Fall V3
Department of Social Services	March 31	Complete	Yes/2000 Fall V3
Executive Council	March 31	Complete	Yes/2000 Fall V3
Women's Secretariat	March 31	Complete	No
Crown Agencies:			
617275 Saskatchewan Ltd.	December 31	Complete	Yes/2000 Fall V3
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Agri-Food Innovation Fund (1999)	March 31	Complete	Yes/2000 Fall V3
Agri-Food Innovation Fund (2000)	March 31	Delayed	
Assiniboine Valley District Health Board	March 31	Rotational	
Associated Entities Fund	March 31	Complete	No
Battlefords District Health Board	March 31	Complete	Yes/2000 Fall V3
Bayhurst Gas Limited	December 31	Complete	Yes/2000 Fall V3
Beef Development Board	March 31	Delayed	
Board of Governors, Uranium City Hospital	March 31	Complete	Yes/2000 Spring
Canodev Research Inc.	July 31	Complete	No
Carlton Trail Regional College	June 30	Delayed	
Central Plains District Health Board	March 31	Complete	Yes/2000 Fall V3
Chicken Farmers of Saskatchewan	December 31	Note 1	

Public Agency	Year end on or before June 30, 2000	Status at November 27, 2000[1]	Significant issues reported[2]
CIC Industrial Interests Inc.	December 31	Complete	Yes/2000 Fall V3
CIC Pulp Ltd.	December 31	Complete	Yes/2000 Fall V3
Crown Investments Corporation of Saskatchewan	December 31	Complete	Yes/2000 Fall V3
Cumberland Regional College	June 30	Rotational	
Cypress Hills Regional College	June 30	Rotational	
DirectWest Publishing Partnership	December 31	Complete	Yes/2000 Fall V3
East Central District Health Board	March 31	Complete	Yes/2000 Fall V3
First Nations Fund	March 31	Denied Access	
Gabriel Springs District Health Board	March 31	Rotational	
Genex Swine Group Inc.	September 30	Complete	Yes/2000 Fall V3
Greenhead District Health Board	March 31	Rotational	
Health Services Utilization and Research Commission	March 31	Complete	No
Hospitality Network Canada Inc.	December 31	Complete	Yes/2000 Fall V3
IQ&A Partnership	December 31	Complete	Yes/2000 Fall V3
Keewatin Yathe District Health Board	March 31	Complete	Yes/2000 Fall V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Delayed	
Liquor Board Superannuation Commission, The	December 31	Complete	No
Living Sky District Health Board	March 31	Rotational	
Lloydminster District Health Board	March 31	Rotational	
Mamawetan Churchill River District Health Board	March 31	Complete	Yes/2000 Fall V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	Yes/2000 Fall V3
Midwest District Health Board	March 31	Rotational	
Milk Control Board	December 31	Complete	Yes/2000 Spring
Moose Jaw-Thunder Creek District Health Board	March 31	Rotational	
Moose Mountain District Health Board	March 31	Complete	Yes/2000 Fall V3
Municipal Employees' Pension Commission	December 31	Complete	No
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
North Central District Health Board	March 31	Rotational	
North Valley District Health Board	March 31	Rotational	
North West Regional College	June 30	Rotational	
North-East District Health Board	March 31	Complete	Yes/2000 Fall V3
Northern Enterprise Fund Inc.	December 31	Complete	Yes/2000 Fall V3
Northlands College	June 30	Complete	Yes/2000 Fall V3
Northwest District Health Board	March 31	Rotational	

Appendix 2

Public Agency	Year end on or before June 30, 2000	Status at November 27, 2000[1]	Significant issues reported[2]
Parkland District Health Board	March 31	Rotational	
Parkland Regional College	June 30	Rotational	
Pasquia District Health Board	March 31	Rotational	
Pipestone District Health Board	March 31	Rotational	
Power Corporation Superannuation Board	December 31	Complete	No
Power Greenhouses Inc.	December 31	Complete	Yes/2000 Fall V3
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie West District Health Board	March 31	Rotational	
Prairie West Regional College	June 30	Rotational	
Prince Albert District Health Board	March 31	Rotational	
Public Employees Pension Plan	March 31	Complete	No
Public Services Superannuation Board	March 31	Delayed	
Regina District Health Board	March 31	Complete	Yes/2000 Fall V3
Rolling Hills District Health board	March 31	Rotational	
Sask Pork	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Alfalfa Seed Producers' Development Commission	July 31	Note 1	
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Delayed	
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Auto Fund	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31	Note 1	
Saskatchewan Cancer Foundation	March 31	Complete	No
Saskatchewan Canola Development Commission	July 31	Complete	Yes/1999 Fall V2
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	No
Saskatchewan Development Fund Corporation	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Egg Producers	December 31	Note 1	
Saskatchewan Flax Development Commission	July 31	Note 1	
Saskatchewan Forest Products Corporation	December 31	Complete	No
Saskatchewan Gaming Corporation	March 31	Complete	No
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	Yes/2000 Fall V3

Public Agency	Year end on or before June 30, 2000	Status at November 27, 2000[1]	Significant issues reported[2]
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Insurance	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	Yes/2000 Fall V3
Saskatchewan Heritage Foundation	March 31	Delayed	
Saskatchewan Housing Corporation	December 31	Complete	Yes/2000 Spring
Saskatchewan Indian Regional College	June 30	Rotational	
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	No
Saskatchewan Municipal Board	March 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	Yes/2000 Spring
Saskatchewan Power Corporation	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Property Management Corporation	March 31	Complete	No
Saskatchewan Pulse Crop Development Board	August 31	Note 1	
Saskatchewan Research Council, The	March 31	Complete	No
Saskatchewan Sheep Development Board	September 30	Note 1	
Saskatchewan Telecommunications	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Telecommunications International, Inc.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Trade and Export Partnership Inc.	March 31	Note 1	No
Saskatchewan Transportation Company	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Turkey Producers' Marketing Board	December 31	Note 1	

Appendix 2

Public Agency	Year end on or before June 30, 2000	Status at November 27, 2000[1]	Significant issues reported[2]
Saskatchewan Water Corporation	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Wetland Conservation Corporation	March 31	Complete	No
Saskatoon District Health Board	March 31	Complete	Yes/2000 Fall V3
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	Yes/2000 Fall V3
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	Yes/2000 Fall V3
SaskEnergy Chilean Holdings Limitada	December 31	Complete	Yes/2000 Fall V3
SaskEnergy Incorporated	December 31	Complete	Yes/2000 Fall V3
SaskEnergy International Incorporated	December 31	Complete	Yes/2000 Fall V3
SaskPen Properties Ltd.	December 31	Denied Access	
SaskPower International Inc.	December 31	Complete	Yes/2000 Fall V3
SecurTek Monitoring Solutions Inc.	December 31	Complete	Yes/2000 Fall V3
SecurTek Partnership No. 1	December 31	Complete	Yes/2000 Fall V3
SecurTek Partnership No. 2	December 31	Complete	Yes/2000 Fall V3
SGC Holdings Inc.	March 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	Yes/2000 Fall V3
South Central District Health Board	March 31	Rotational	
South Country District Health Board	March 31	Rotational	
South East District Health Board	March 31	Rotational	
Southeast Regional College	June 30	Complete	Yes/2000 Fall V3
Southwest District Health Board	March 31	Complete	Yes/2000 Fall V3
SP Two Properties Ltd.	March 31	Denied Access	
St. Louis Alcoholism Rehabilitation Centre	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Swift Current District Health Board	March 31	Rotational	
Teachers' Superannuation Commission	June 30	Delayed	
TecMark International Commercialization Inc.	March 31	Complete	No
Touchwood Qu'Appelle District Health Board	March 31	Rotational	
TransGas Limited	December 31	Complete	Yes/2000 Fall V3
Twin Rivers District Health Board	March 31	Rotational	
Water Appeal Board	March 31	Complete	No
Western Canadian Beef Packers Inc.	November 20	Complete	Yes/2000 Fall V3
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	Yes/2000 Fall V3
Workers' Compensation Board Superannuation Plan	December 31	Complete	Yes/2000 Spring

Public Agency	Year end on or before June 30, 2000	Status at November 27, 2000[1]	Significant issues reported[2]
Special Purpose and Trust Funds:			
Agri-Food Equity Fund	March 31	Delayed	
Big Game Damage Compensation Fund	March 31	Complete	No
Capital Pension Plan	December 31	Complete	Yes/Spring 2000
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	Yes/2000 Fall V3
Conservation and Development Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Correspondence School Revolving Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	Yes/2000 Fall V3
General Revenue Fund	March 31	Complete	Yes/2000 Fall V3
Highways Revolving Fund	March 31	Delayed	
Horned Cattle Fund	March 31	Delayed	
Judges of the Provincial Court Superannuation Plan	March 31	Complete	No
Learning Resources Distribution Centre Revolving Fund	March 31	Delayed	
Livestock Services Revolving Fund	March 31	Complete	No
Members of the Legislative Assembly Superannuation Plan	March 31	Delayed	
Northern Revenue Sharing Trust Account	December 31	Complete	No
Office of the Rentalsman – Rentalsman's Trust Account	March 31	Complete	No
Oil and Gas Environmental Fund	March 31	Complete	No
Private Vocational Schools Training Completions Fund	March 31	Complete	No
Provincial Mediation Board Trust Account	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Trustee for Saskatchewan	March 31	Delayed	
Queen's Printer Revolving Fund	March 31	Complete	No

Appendix 2

Public Agency	Year end on or before June 30, 2000	Status at November 27, 2000[1]	Significant issues reported[2]
Resource Protection and Development Revolving Fund	March 31	Complete	Yes/2000 Fall V3
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Delayed	
Saskatchewan Development Fund	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Legal Aid Commission Client Trust Accounts	March 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	Yes/2000 Fall V3
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Transportation Partnerships Fund	March 31	Delayed	
Trust Accounts at Court House, Local Registrars and Sheriff's Offices	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Other organizations subject to examination under *The Provincial Auditor Act*:			
Board of Internal Economy	March 31	Complete	Yes/2000 Fall V3
Chief Electoral Office	March 31	Complete	Yes/2000 Fall V3
Conflict of Interest Commissioner	March 31	Delayed	
Information and Privacy Commissioner	March 31	Delayed	
Ombudsman and Children's Advocate, Office of the	March 31	Complete	No
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Complete	No
Saskatchewan Archives Board, The	March 31	Delayed	
University of Regina Academic and Administrative Employees Pension Plan	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	No
University of Regina Master Trust	December 31	Complete	No
University of Regina Non-Academic Pension Plan	December 31	Complete	No
University of Regina Pension Plan for Eligible Part-Time Employees	December 31	Complete	No
University of Regina, The	April 30	Complete	No
University of Saskatchewan Academic Employees' Pension Plan	December 31	Complete	No

Public Agency	Year end on or before June 30, 2000	Status at November 27, 2000[1]	Significant issues reported[2]
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Complete	No
University of Saskatchewan Clinicians Service-Side Pension Plan	December 31	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
University of Saskatchewan Long Term Disability Fund	April 30	Complete	No
University of Saskatchewan, The	April 30	Complete	No

Note 1: We did not participate in these audits.

In 1999, the Department of Agriculture and Food and our Office agreed that the most efficient way for our Office to examine these smaller agricultural marketing and development agencies would be to work through the Agricultural and Food Products Development and Marketing Council. As part of our audit of the Department of Agriculture and Food, we examine the supervisory work carried out by the Council regarding the financial statements of these agencies and the rules and procedures to safeguard and control their assets and to comply with legislative authorities.

In 1999, the Department of Economic and Co-operative Development and our Office agreed, as part of the annual audit of the Department, that we would examine the supervisory work carried out by the Department over the Saskatchewan Trade and Export Partnership Inc.

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[1] "Complete" – the audit was complete at November 27, 2000;
"Delayed" – the audit was delayed;
"Rotational" – for a few sectors (i.e., health districts and regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at November 27, 2000 as "Complete". We list entities we did not audit in the year because of their position in the rotation as "Rotational".
"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

[2] "No" - no significant issues were reported;
"Yes/1999 Fall V2" – significant issues were reported in our 1999 Fall Report – Volume 2;
"Yes/2000 Spring" – significant issues were reported in our 2000 Spring Report;
"Yes/2000 Fall V2" – significant issues were reported in our 2000 Fall Report – Volume 2;
"Yes/2000 Fall V2" – significant issues were reported in our 2000 Fall Report –Volume 2; and
"Yes/2000 Fall V3" – significant issues are reported in our 2000 Fall Report – Volume 3.

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Appendix 3

Examples of opinions we form on departments, Crown agencies and Crown-controlled corporations

Our mission states "We encourage accountability and effective management in government operations". We do this by examining and reporting on:

- the reliability of financial information;
- compliance with authorities;
- the adequacy of management systems and practices related to financial reporting, compliance with authorities and safeguarding assets; and
- the adequacy of management systems and practices related to due regard to economy, efficiency and effectiveness.

Our examinations and reports focus on the Government as a whole, sectors or programs of government, and individual government organizations. This Appendix contains examples of the audit opinions we form to provide our assurances on financial statements, compliance with authorities, and management practices in this Report. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions.

1. **Following is an example of the opinion we form on the adequacy of the control systems used by an agency to safeguard and control public money.**

> I have examined the system of internal control of [Crown Agency X] in effect as at [date]. I did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in The Canadian Institute of Chartered Accountants Handbook.
>
> My examination was conducted in accordance with generally accepted auditing standards. Those standards require that I plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient

to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The management of [Crown Agency X] is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in (a) to (d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to my responsibilities under Section 11(1) of The Provincial Auditor Act, I am required to determine that there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;

b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In my opinion, based upon the above criteria, the system of internal control of [Crown Agency X] in effect as at [date], taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in relation to [Crown Agency X].

Or if the examination disclosed conditions that, individually or in combination result in one or more material weaknesses, the opinion paragraph should be modified as follows:

My examination disclosed the following conditions in the system of internal control of [Crown Agency X] as at [date] which in my opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to [Crown Agency X] may occur and not be detected within a timely period.

> *The report should go on to describe all material weaknesses, state whether they resulted from the absence of control procedures or the degree of compliance with them, and describe the general nature of the potential errors or fraud that may occur as a result of the weaknesses.*

City Date Chartered Accountant

2. **Following is an example of the opinion we form on an agency's compliance with the law regarding its spending, revenue raising, borrowing and investing activities.**

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding assets, spending, revenue raising, borrowing and investing activities during the year ended [date]:

> *(List legislative and related authorities covered by this report. This list must include all governing authorities.)*

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

> *(The report should provide adequate explanation with respect to any reservation contained in the opinion together with, if relevant and practicable, the monetary effect.)*

City Date Chartered Accountant

3. Following is an example of the opinion we form on the financial statements prepared by management of an agency.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and changes in financial position for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

City Date

Chartered Accountant

Appendix 4

Reports of appointed auditors

Appendix 4 contains the reports of appointed auditors that we have not relied on and the report of the appointed auditor indicates a matter or issue that should be reported to the Assembly.

Appendix 4 does not contain the reports of appointed auditors that indicate a matter or issue to report to the Assembly when we have not yet done our work. Appendix 2 contains a list of work not done.

Crown Agency	Page
Saskatoon District Health Board	4-2
Workers' Compensation Board	4-6

SASKATOON DISTRICT HEALTH BOARD
YEAR ENDED MARCH 31, 2000

We have examined the system of internal control of Saskatoon District Health Board in effect as at March 31, 2000. We did not examine certain aspects of internal control concerning the effectiveness, economy and efficiency of certain management decision making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our examination was conducted in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The management of the Saskatoon District Health Board is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in a) to d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to our responsibilities under Section 11(1) of The Provincial Auditor Act, we are required to determine if there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;

b) all public money is fully accounted for an properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which is was appropriated by the Legislature and the expenditures have adequate statutory authority; and

d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of the system of internal control to future periods is subject to risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our examination disclosed the following conditions in the system of internal control of the board and affiliates as at March 31, 2000 which in our opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Board may occur and not be detected within a timely period.

Affiliates Reporting

The following items represent internal control weaknesses identified for organizations affiliated with the Board:

Segregation of Incompatible Functions

Two affiliated organizations reported inadequate segregation of responsibility between cash handling and accounting functions.

Authorization and Review

One affiliated organization reported weaknesses in authorization and review procedures with respect to payroll information.

Financial Reporting

Two affiliated organizations reported that accounting procedures were inadequate to generate accurate monthly financial reports.

Policies and Procedures

One affiliated organization reported that documentation of accounting and authorization policies and procedures was insufficient.

Chartered Accountants
September 12, 2000

SASKATOON DISTRICT HEALTH BOARD
YEAR ENDED MARCH 31, 2000

We have made an examination to determine whether the Saskatoon District Health Board complied with the provisions of the following legislative and related authorities pertaining to it financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended March 31, 2000:

- The Health Districts Act
- The Health Districts Amalgamation Regulations
- The Hospital Revenue Act
- The Hospital Standards Act
- St. Paul's Hospital (Grey Nuns) of Saskatoon Act
- The Housing and Special Care Homes Act
- The Trustee Act
- The Hospital Standards Regulations
- The Hospital Comprehensive Purchasing Regulations
- The Housing and Special Care Homes Regulations
- The Housing and Special Care Homes Care and Rates Regulations
- Orders-in-Council issued pursuant to the above legislation

Our examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Saskatoon District Health Board has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 2000 except as described in the following paragraphs:

Program reporting requirements

Subsection 35(2) of the Health Districts Act requires the Board to submit to the Minister reports on health board's services and activities and their costs and the health status of the residents and the effectiveness of the Board's programs.

The Board prepares an "Annual Report on the District Services and Health Status" which includes an analysis of health status and health needs of the residents of Saskatoon along with the goals and objectives of the District. For 1999-2000 this report was delivered through a series of publicly circulated news letters. The Board has also prepared a strategic plan for 2000-2001 which includes information about services to be provided and their cost.

The Provincial Auditor of Saskatchewan has indicated that he does not believe that current reporting meets the full intent of the legislation. However, no prescribed format for reporting this information currently exists and therefore we have concluded that the reports prepared by the Board comply with the legislation.

Affiliate Reporting

Two affiliated organizations did not provide Saskatoon District Health Board with audited financial statements, an auditors' report on internal controls and an auditors' report on legislative compliance as required under their operating agreement and Section 26.1 of the Health Districts Act.

Chartered Accountants
September 12, 2000

WORKERS' COMPENSATION BOARD
YEAR ENDED DECEMBER 31, 1999

To: Province of Saskatchewan,
Provincial Auditor

We have examined the financial statements of the Workers' Compensation Board (Saskatchewan) for the year ended December 31, 1999 and have issued our report thereon dated March 23, 2000. We have examined the system of internal control as at December 31, 1999 and have issued our report to you dated March 23, 2000. We have also made an examination to determine whether the Workers' Compensation Board complied with specified legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended December 31, 1999 and have issued our report to you dated March 23, 2000.

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In those instances, if any, that our study and evaluation of internal control disclosed conditions indicating controls were inadequate or not complied with, substantive tests were performed to detect any cases in which:

1) any officer or employee of the Workers' Compensation Board has wilfully or negligently omitted to collect or receive public money belonging to the Crown;
2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and
3) an expenditure was made which was not properly vouchered or certified.

During the course of these examinations, nothing came to our attention that would indicate to us that:

1) any officer or employee of the Workers' Compensation Board has wilfully or negligently omitted to collect or receive public money belonging to the Crown;
2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and
3) an expenditure was made which was not properly vouchered or certified.

During the course of our examinations, however, the following circumstances came to our attention concerning the inclusion of the accounts of the Workers' Compensation Board in the Government of Saskatchewan Summary Financial Statements.

The accounts of the Board are currently being consolidated in the Summary Financial Statements on the basis that the Worker's Compensation Board is considered to be a government enterprise that is owned or controlled by the Government. In conducting our audit at the Board, we formed the view that this basis for consolidation is inappropriate since it does not correspond with the Board's legislative authorities. The Board does not consider the net assets of the Workers' Compensation Board, amounting to $132,286,000 as at December 31, 1999 (1998 - $139,126,000) to be that of the Government's. This surplus, therefore, should not be recorded in the Summary Financial Statements to reduce the accumulated deficit of the Government. It is the Board's considered opinion that these net assets do not accrue to the Government.

Chartered Accountants
March 23, 2000

Provincial Auditor's comments:

We think the Government's Summary Financial Statements comply with The Canadian Institute of Chartered Accountants' (CICA) recommendations. Those recommendations state:

> The Government reporting entity should comprise of organizations that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the legislature, or local government, and are owned or controlled by the Government.

CICA goes on to say:

> A government may choose not to exercise its authority or actively participate in the implementation of its policies; nevertheless, control exists by virtue of the government's ability to do so.

The Government does have the ability to control the Workers' Compensation Board (WCB) in administering the workers' compensation program. The Government can and does influence the WCB's decisions by virtue of the Government's authority set out in *The Workers' Compensation Act, 1979*.

Subsection 181(2) of the Act states:

> The Lieutenant Governor in Council may make regulations setting out guidelines for the making of decisions by the board, and a regulation made pursuant to this subsection supersedes any policy directive of the board that conflicts with it.

We also note the Government's Summary Financial Statements clearly state that any net assets of the WCB are not available for the payment of dividends to the General Revenue Fund.

WORKERS' COMPENSATION BOARD
YEAR ENDED DECEMBER 31, 1999

To: Province of Saskatchewan,
Provincial Auditor

We have examined the system of internal control of the Workers' Compensation Board (Saskatchewan) in effect as at December 31, 1999. We did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes, including those for ensuring its computer systems will accurately process data in the year 2000. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our examination was conducted in accordance with generally accepted auditing standards. Those standards require that we plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The management of the Workers' Compensation Board is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in a) to d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to your responsibilities under Section 11(1) of The Provincial Auditor Act, you are required to determine if there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;

b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

During the year, the Board started to investigate the possible options available to establish an organization-wide security policy covering all aspects of the Board's computer operations and systems. At year-end, this policy had not been fully implemented. As a result, there is a risk of security measures being applied by management inconsistently or inadequately.

In our opinion, based upon the above criteria, except for the matters reported in the preceding paragraph, the system of internal control of the Workers' Compensation Board in effect as at December 31, 1999, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in related to the Workers' Compensation Board.

Chartered Accountants
March 23, 2000

Appendix 4

WORKERS' COMPENSATION BOARD
YEAR ENDED DECEMBER 31, 1999

To: Province of Saskatchewan,
Provincial Auditor

We have made an examination to determine whether the Workers' Compensation Board (Saskatchewan) complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended December 31, 1999:

The Workers' Compensation Act
The Financial Administration Act
The Tabling of Documents Act
Members of the Legislative Assembly Conflict of Interests Act
The Occupational Health and Safety Act
The Income Tax Act
The Workers' Compensation Board Superannuation Act
The Superannuation (Supplementary Provisions) Act
Regulations and Orders in Council pursuant to the above Legislation

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Workers' Compensation Board (Saskatchewan) has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended December 31, 1999.

Chartered Accountants
March 23, 2000